

RECEIVED
MAR 8 8 2003
GROUP 3600

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Application of: Fiedotin *et al.*

Serial No. 09/487,932

Group Art Unit: 3626

Filed: January 20, 2000

Examiner: Kalinowski, Alexander G

For: *Method and System for Providing
Current Industry Specific Data to
Physicians*

Attorney Docket No.: 10160-0007-999

**DECLARATION OF THOMAS LEE
UNDER 37 C.F.R. § 1.131**

Honorable Commissioner of Patents and Trademarks
Washington, D.C. 20231

Sir:

I, Thomas Ho Lee, hereby declare the following to be true:

1. I am a co-inventor together with Richard Fiedotin and Jeffery Tangney of the invention described and claimed in the above-identified patent application.
2. nCircle Communications Inc. was founded in 1998 by Richard Fiedotin and Jeffery Tangney and was later renamed ePocrates Inc. (hereinafter the "Company").
3. Currently, I am a senior contributing editor to the Board of Editors of ePocrates, Inc.
4. I contributed to the conception of the subject matter claimed in the above-identified patent application prior to July 1, 1999.

5. The conception of the invention described and claimed in the above-identified patent application is evidenced by Exhibits A-C, annexed hereto.

6. The dates of Exhibits A-C showing conception have been redacted in accordance with standard practice, but all are prior to July 1, 1999.

7. Exhibit A is a copy of an Executive Summary written prior to July 1, 1999, that formed part of the Company's original business plan. Exhibit A shows the invention described and claimed in the above-identified patent application. For example, the penultimate paragraph on the second page states "nCircle will aggregate important insurance information which is needed at the point of care and bundle it into the Palm Connected Organizer product line (the Palm III and Palm V)." In other words, Exhibit A discloses storing medical data in a database.

The fourth paragraph of the eighth page of Exhibit A states "[o]ne-touch updates from web-accessible PC" and the second paragraph of the penultimate page states "[v]ia your web-enabled PC or Mac, pQD automatically downloads updated data and messages." Accordingly, Exhibit A shows that selected medical data is periodically communicated between the database and an electronic device to establish a medical data distribution system.

Furthermore, penultimate paragraph on the second page states:

This bundled software/hardware set, which is called the Physician QD (pQD), will be sold to pharmaceutical companies . . . It will in turn be distributed to the companies' sales forces who will use the pQD as a method to gain entrée to the high value physicians they normally cannot contact. . . . We expect to distribute 30,000 and 60,000 units in this fashion . . .

This discloses a medical data distribution system subsidized by sponsoring entities.

Consequently, this Exhibit describes the invention as described and claimed in the above-identified patent application.

8. Exhibit B is a copy of a presentation given by the Company to Pfizer Inc. prior to July 1, 1999, entitled "Discussion with Pfizer regarding PharmAssist Promotional Program." Exhibit B describes PharmAssist as a "promotional program which provides high value physicians with Personal Digital Assistants (PDAs) bundled with customized software, ongoing support, and online access." See page 6. These PDAs include medical data, such as formularies, referral lists, etc. *Id.* The remainder of the document describes the advantages to the "payer" or sponsor of the medical data distribution system. Accordingly, this Exhibit describes the invention as described and claimed in the above-identified patent application.

9. Exhibit C is a copy of a presentation given by the Company prior to July 1, 1999, entitled "Business Opportunity Discussion." Exhibit C describes the conceptual framework of the invention claimed in the above-identified application. For example, Exhibit C describes storing medical data in a database such as a PDA. See page 5. Also, Exhibit C shows a medical data distribution system coordinating the PBM, Pharma, and physicians. *Id.* Furthermore, Exhibit C describes the benefits to the sponsoring entity of the medical data distribution system. Accordingly, this Exhibit describes the invention as described and claimed in the above-identified patent application.

10. I was aware of the progress being made toward making this invention into a finished product and toward obtaining a patent. The Company was working on producing and perfecting the software code for the invention. The Company was also obtaining and entering agreements with potential sponsoring entities. Furthermore, the Company was obtaining source data and seeking a patent attorney to prepare and file a patent application on the invention in the above-identified patent application.

11. Attached hereto is a Declaration by Dion M. Bregman of Pennie and Edmonds attesting to reasonable attorney diligence from September 22, 1999 to January 20, 2000.

12. Between September 1999 and January 2000, I received at least one draft of the captioned patent application for my review and comments. Comments were exchanged with Pennie and Edmonds and the above-identified patent application was filed with the United States Patent and Trademark Office on January 20, 2000.

13. I, hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true, and that these statements are made with knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application, and any patent issuing thereon, or any patent to which this declaration is directed.

2/28/03
Date

DR. THOMAS LEE

EXHIBIT A

EXECUTIVE SUMMARY

Mission

rxCard Communications intends to be the leading provider of portable, wireless, Internet-based health care information systems for physicians. Our products improve the quality of health care by allowing physicians to access clinical information on and enter orders for their patients wherever and whenever they need and to do so for free.

Overview of Market Opportunity

Every day, hundreds of thousands of physicians treat millions of patients using a combination of experience, judgment and data. When this data is missing or inadequate, treatment is impaired. The impact, which depends on the nature of the information and the condition of the patient, can include:

- Patients suffering complications, including death, from contraindicated medications
- Doctors spending significant time looking for information and making inappropriate clinical decisions when on call
- Insurers incurring the cost of extra nights of expensive hospitalization due to "missing" lab results

Health care is an extraordinarily large and information intensive segment of the US economy. At \$1.2 trillion, it represents over 14% of the US GDP¹. Physician decisions influence approximately 80% of all spending in this sector. These decisions affect millions of lives and are best made when well informed. Consequently, it is imperative for the sake of the individual patient as well as the health care system as whole that the physician have access to critical information when making these decisions.

Toward this end, a robust health care information system (HIS) industry has developed over the past 25 years. It is now an \$18 billion dollar industry growing at 16% per year². Initially, the HIS industry focussed on billing and scheduling applications. However, as technology has improved and health care delivery has changed, there has been an increased emphasis on developing clinical information systems for physicians and other care givers. This effort has failed because both the software and the hardware have been inadequate for the needs of the physician.

The applications developed to date have been excessively ambitious, requiring the doctor to change his or her practice patterns to conform to the software. They have also been cumbersome, inefficient, and rigid, slowing the physician down at a time when he or she is being forced to see an increasing number of patients per hour. Moreover, most applications have been designed for desktop or tablet computers. This fails to recognize that physicians are not desk-bound and do not have wireless systems in their offices. In short, the HIS industry has failed to establish a significant presence among physicians because they have fundamentally misunderstood their target audience.

This failure is reflected by the continuing needs of information systems experts in the health care industry. In a recent survey, these experts listed implementation of computer-based patient records and integration of multi-vendor systems as their two biggest priorities after Y2K conversion. They also noted wireless devices, specifically PDAs, as the emerging technology their organization was most likely to begin using over the next 12 months. Financial constraints seem to be diminishing as 71% of

¹ J.C. Bradford & Co., "Healthcare Information Technology: Making Sense of a Senseless Market," February 19, 1999

² Cowen & Co., IDC, Dorenfest Database and Jewson Enterprises

it can have the greatest impact on decision-making. Physicians are eager to have this information on an accessible platform, particularly if they receive a free Palm Connected Organizer in the process. Palm Computing is interested in offering concessions in exchange for the opportunity to achieve a significant presence in the health care vertical market. Pharmaceutical companies are looking for a legitimate method, one which does not contravene government regulations, to provide a high-value item to their high-prescribing doctors. This strong alignment of interests facilitates the achievement of key success factors in Phase I.

Phase II: leverage existing market presence, corporate relationships, and technical expertise to develop and distribute software solutions designed for portable, wireless, Internet-enabled devices.

During the 12-18 month period of phase I, nCircle will develop software solutions that are particularly well-suited for wireless devices. These applications include simplified medical records, lab results viewers, physician order entry for prescriptions and admission/discharge. nCircle will develop relationships with the larger HIS Internet vendors (e.g. Healtheon) to leverage the infrastructure they are developing to provide these services. nCircle will also develop relationships with Internet medical content providers, such as WebMD, MedCast, and MedScape. It is our intent to embed their URLs in the device in exchange for royalty fees. Given the ultra-stickiness of these wireless "browsers," even relative to desktop browsers, incorporating this access into our device should be very attractive to these content providers and we would expect to extract significant rents for this service. In so doing, we intend to become the premier portable medical portal.

Competitive Advantages

1. Team – our management team includes physicians, health care consultants, and MBAs with a strong understanding of the physician and the health care market. Our development team includes software engineers with Master's degrees and PhDs in computer science and significant real world experience at start-ups as well as at established companies such as Silicon Graphics, Yahoo!, and Tandem Computers.
2. Product – we are developing products that physicians want. The pQD minimizes the "pain" they experience in the practice of medicine under managed care. We are not contaminating our product to satisfy other constituents at the expense of the physicians because do so is to risk diminishing its value to the end user and, ultimately, to disappoint all players. Our product is decidedly unambitious from a technology perspective; it is designed by physicians in order to meet the needs and satisfy the wants of physicians. This will be crucial to its acceptance in the physician community.
3. First mover advantage – we believe that our unique focus and distribution model will allow us to penetrate the physician market with unprecedented speed. Once in place, it will be difficult to be dislodged as end-user switching costs are fairly high. Physicians will be comfortable with our device and will probably not want to change to another, absent a marked improvement. Moreover, we will continue to enhance our product and deliver these enhancements for free only to our devices, rendering them even "stickier."
4. Barriers to entry – it is exceedingly difficult to aggregate the insurance data. We hope to establish some form of exclusive licensing agreement with at least one of these companies in exchange for our efforts. Such a contract would provide a significant obstacle to our competition. We also hope to prevent our competition from using our pharmaceutical distribution channel by signing exclusives with those companies that are interested in this concept.
5. Diminished bargaining power of our hardware suppliers – Palm Computing is extremely interested in penetrating the health care vertical market, particularly in light of the growing presence of Windows CE devices in that space. Their acute awareness of the CE platform as a substitute has engendered support for our effort and, in turn, minimized their bargaining power.

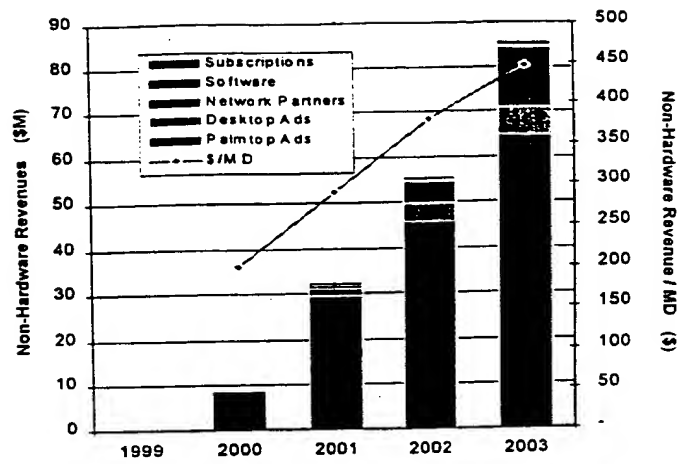


Figure 2

Overall profitability is strong as depicted in figure 3. Post-tax earnings are forecasted to grow to nearly \$48 million by 2003. This, we believe, is still a conservative assumption given the conservatism we have applied throughout our forecasting process.

INDUSTRY OVERVIEW

nCircle operates at the nexus of several constituencies in several industries. Each constituency is a vital component of the nCircle strategy. In understanding the interests of each constituency, one gains an appreciation of both phases of the nCircle strategy.

Insurers

Health care insurance in the United States is an enormous business, one focused equally on generating revenue through increased contracts and controlling costs through management of claims reimbursement. One of the larger components of the insurance cost structure is derived from prescription medications. The nation's overall prescription-drug bill rose 16 percent last year, to an estimated \$ 94 billion, atop a 13 percent increase the year before. The insurance industry has attempted to rein in these costs by outsourcing the management of prescription medication reimbursement to intermediaries known as pharmacy benefit management organizations (PBMs). There are two major exceptions to this. Aetna and Cigna do not use PBMs; they manage their prescription services themselves.

These PBMs, along with Aetna and Cigna, negotiate prices on medications with pharmaceutical companies. They then attempt to determine the price-performance profile of all the drugs on the market. As different companies negotiate different prices, these profiles will vary according to payer. At the end of this evaluation, the PBMs create a "formulary." This formulary is simply a list of medications for which the PBM will pay. Every medication on the market has a status within the formulary: preferred, approved, approved with prior authorization by the payer, available only as a generic, and not approved.

The PBMs communicate this formulary to physicians by mailing them binders with the information every three to six months. Each plan has its own formulary so a physician may receive as many as 100 different booklets, though 20-30 is more typical. The content of the formulary is reinforced by a PBM "detail" force which visits the physician periodically.

PBMs typically enforce the formulary at the pharmacy. When a patient submits a prescription, the pharmacist enters into an on-line system which checks the medication against the formulary. If the medication is on-formulary, it is dispensed, generally with a \$5-10 co-pay. If it is off-formulary and a generic substitute has not been authorized, the patient either pays out of pocket or the pharmacist calls the doctor's office to request an alternative. This process can take more than an hour, requiring the patient to either wait in the pharmacy or return at a later point.

PBMs exist to manage and enforce these formularies. They are seeking ways to increase physician compliance without incurring significant financial and political costs. Mailing the binders and using detail forces are quite expensive. Rejecting prescriptions at the pharmacy level engenders significant animosity among the physician community and does little to encourage higher compliance. The frustration felt by patients and physicians has been communicated to legislative bodies at the state and Federal levels resulting in the proposal and passage of laws restricting PBMs' ability to enforce their formularies. For example, seventeen states are currently considering bills that would "weaken the effectiveness of drug formularies" by requiring formulary coverage where physicians consider it "medically necessary." California recently ordered five HMOs to keep fourteen drugs on their formulary. PBMs, consequently, are looking for technology at the point-of-care to help reduce their cost of operations and minimize the burden their formularies impose on physicians and patients.

Customers: Pharmaceutical Companies

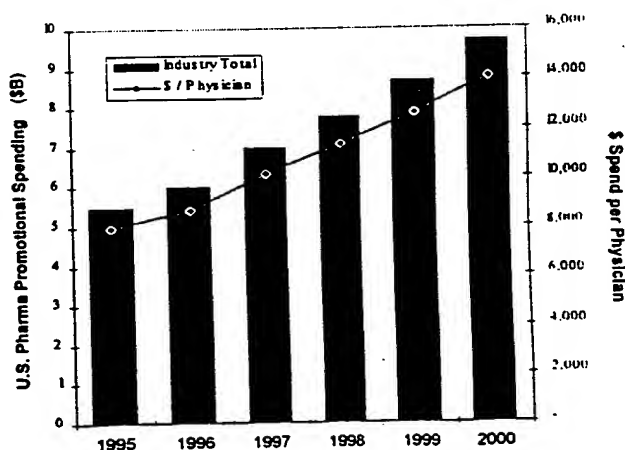
The pharmaceutical industry in the United States is enormous and profitable. Industry sales last year exceeded \$106 billion which represented a 16% one-year increase and a 15% two-year increase.

Market Size and Trends

These revenues result largely from prescriptions written by physicians. Interestingly, the distribution of the value of physicians to pharmaceutical companies is highly skewed. Top decile physicians can generate over \$100,000 per year in revenue and \$90,000 in profit for an individual pharmaceutical company; mid-decile physicians, by contrast, are much less valuable to the industry, generating a fraction of the revenue.

Key Trends in U.S. Pharmaceuticals

As industry revenues have grown, so has the introduction of new products. While there has been much innovation, many of these new medications are nothing more than "me too" drugs with little difference from the other drugs in the same therapeutic category. The pharmaceutical industry is highly leveraged operationally. Most research and development expenditures are fixed and sunk. Manufacturing, however, has minimal fixed costs. The result is that pharmaceutical companies operate with large gross margins – any incremental sale falls largely to the bottom line. The result is an intense pressure to increase sales, to capture market share at almost any cost. Consequently, pharmaceutical companies spend an extraordinary amount of money on marketing, particularly to physicians, to accentuate the minimal differences between medications.



Critical Barriers to Marketing Success

In spending money to move share, pharmaceutical companies face two problems that money alone in the highly-regulated health care industry cannot solve: physicians and insurance companies.

In health care, perhaps more than any other industry, the end user has little influence on the purchasing decision. Ethical drug selection remains to a large extent the domain of the physician. Consequently, pharmaceutical companies spend an inordinate

⁴ Volpe, Welte and Co., Healthcare Information Systems Report, December 1994

Even with conservative assumptions, pQD generates Pharma profits of at least \$1,000 per unit for the top 50,000+ physicians. Figure 4 below shows some of the details of this analysis.

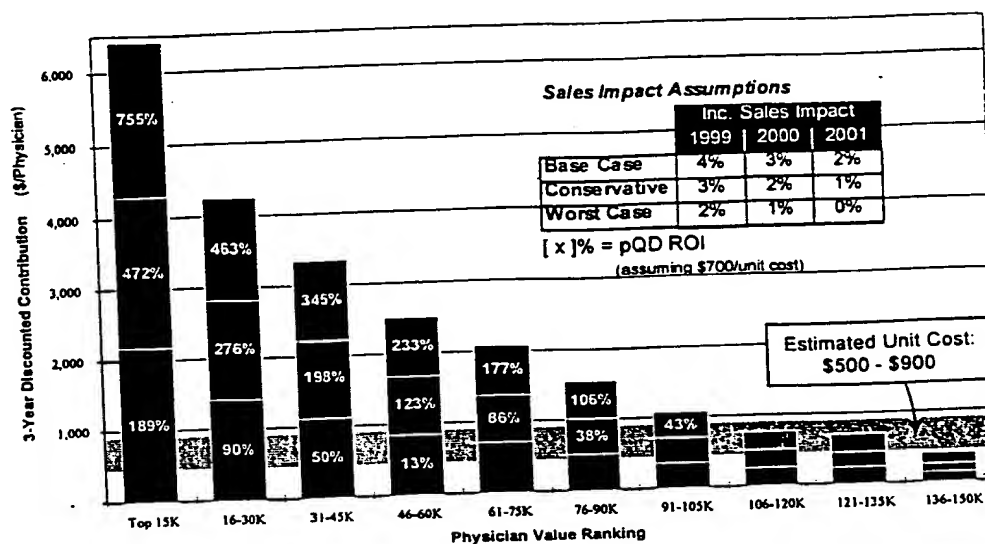


Figure 4

Status of Pharmaceutical Relationship

- Initial Meetings with Pfizer and Warner-Lambert confirmed significant demand
- Awaiting completion of pilot studies for further marketing efforts

Constituency: PBMs and Payers

In order to gain access to the PBM databases, a clear set of benefits to the PBMs must be identified. These are:

- Improved Formulary Compliance
 - New channel for formulary data directly into the physician's shirt pocket
 - Targets top prescribers who control majority of prescription volume
 - Inexpensive, rapid updates provide greater flexibility in contracting
- Hardware Platform Free-of-Charge
 - Potential to leverage Palm organizer for additional applications (e.g., treatment pathways, on-line prescription ordering, script tracking, instant messaging and much more)
- Ease Patient, Pharmacist, and Regulatory Frustrations
 - Ameliorate negative public sentiment and lobbying activities against formularies by reducing the hassle and confrontation of off-formulary prescriptions
- Develop Rapport with Physicians
 - Assist physicians in dealing with multiple plans
 - Be viewed as sympathetic to physicians' need for administrative support

Status of relationship with PBMs

	ePhysician	PharmInfo
<i>Management</i>	Dr. Stuart Weisman, CEO Former gastroenterologist. First-time entrepreneur.	David Levison, CEO Former CEO of Oncare, \$1.2 B specialty practice management company.
<i>Funding</i>	Seed round in Summer of 1998. Closed Benchmark/Sierra "big" round last month.	Kleiner and Mayfield are "committed." Rumored to be closing first round this week.
<i>Board Membership</i>	David Beirne, Charlie McCall, Petri Vainio, Stuart Weisman	Unknown. Brook Byers and Russell Hirsch cited as "key players."
<i># Employees</i>	~30 full-time	10-15, nearly all part-time
<i>Stage of Product Development</i>	CTO and Scient team hired in October. Ready to ship product "soon." Reportedly, no business development work done as yet with PBMs, Pharma, or Palm. Small scale pilot program in place.	Less focussed on Palm platform. Rumored to be "waiting for technology", i.e. wireless PDAs to develop further. Prototype models include hardware add-on for dictation.
<i>Core Product Design</i>	Electronic Prescription Ordering integrated w/ decision support. Claims to include integrated patient data, insurer data, and clinical information. Method of network communication unknown. Presumably this must be HotSync or IR.	Electronic Prescription Ordering integrated w/ decision support and integrated patient/insurer/clinical data. May include dictation. Plans to support multiple platforms.

Winning the Landgrab: nCircle Advantages

Despite the formidable competition in this space, nCircle's simplified business approach has several advantages for each of the key constituents. Summarized briefly, they are as follows:

Software Sales to Physicians

Develop and sell additional clinical oriented apps to user base (e.g., CME on-line, Web scheduling, simple EMRs, etc.). A relatively small revenue opportunity, but will insure greater usage by physicians and result in additional advertising revenue

MARKETING PLAN

Overall Marketing Strategy

Research marketing efforts helped identify not only the application set but the appropriate platform. Focus groups and one-on-one interviews with physician demonstrated a unanimous preference of the Palm device over equivalent Windows CE devices. Our research was confirmed by data received from Palm Computing. The Palm Pilot is #1 consumer electronics launch in history (in terms of unit sales growth). According to a Healtheon survey of 100,000 physicians, eighty-five percent of physicians have Internet access. Sixty-three percent use email daily. Several sites, like Medscape and Physician's On-Line already boast over 600,000 members. Pilot Palm programs already in place at Massachusetts General and other sites.

Healthcare is now the second-leading industry in terms of Palm usage

<u>Industry</u>	<u>%</u>
Technology	20.4
Healthcare	9.7
Financial Services	8.2
Communications	6.0

Pricing

The pQD will initially be priced at \$700 initially and decline over three years to approximately \$300. We expect to be able to leverage the need of each pharmaceutical company for the first mover advantage to extract a price premium initially. As competition develops, downward pricing pressure will naturally occur. In order to maintain our preeminent market share and sustain our non-hardware revenue stream, we will be willing to compete on price.

Sales Tactics

The sales process with the large pharmaceutical companies is expected to be challenging. Most companies have a matrix organization structure. Our initiative is sufficiently costly to require buy-in across multiple product lines. We will use our extended network of contacts to gain access to the pharmaceutical companies at the VP level and above. We will offer our shrink-wrapped product to all the major companies in the industry at once. The intent is to minimize the chance of a pharmaceutical company developing this on its own. There is a significant first-mover advantage; any company which wished to invest the time to develop its own product will be several months behind nCircle and will reach the market later, suffering substantial consequences.

Service and Warranty Policies

Personalized Messaging

Keep abreast of FDA Alerts, article reprints, and events with personalized messaging options.

Internet Conduit and Database

Via your web-enabled PC or Mac, pQD automatically downloads updated data and messages.

New Products

The pQD will be ported to the Palm VII later this year to provide wireless access to medical databases. While these databases are not yet fully populated and the infrastructure is still immature, it is nCircle's plan to develop applications in advance of the full development of these components. The new product will provide:

- Simplified medical records
- Prescription order entry
- Hospital-based order entry
- Results viewing (labs, path reports, etc.)
- Reference material access (e.g. Clinical Pearls, Protocols)

Proprietary Issues

Much of the data in phase I is in the public domain. Nevertheless, licensing proprietary publications will substantially facilitate its incorporation into the pQD.

MANUFACTURING AND OPERATIONS PLAN

All manufacturing will occur at Palm Computing. We will take possession of customized hardware/software bundles with customized packaging. All pQDs will be identical. Personalization for the individual physician (i.e. selection of specific plans) will be done wither by the physicians or the drug rep.

MANAGEMENT TEAM

Organization

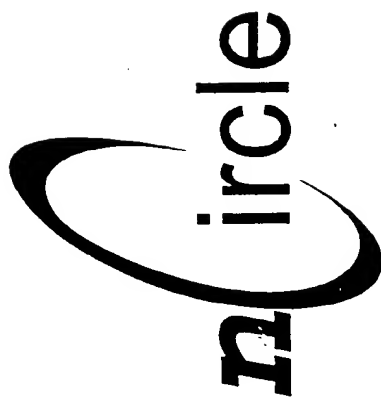
nCircle Communications is organized as a C Corporation.

Key Management Personnel

nCircle was founded by Jeff Tangney and Richard Fiedotin. They currently manage all operations of the entity. Upon outside funding, a search will commence for a CEO. The ideal candidate has experience scaling up a high-tech start-up. He or she must also exhibit unquestioned integrity and an ability to inspire an organization to achieve greatness. Jeff and Richard will remain as Vice-Presidents of Business Development and Marketing, respectively.

Additional personnel have been identified for product management, engineering, and operations.

EXHIBIT B



Communications

Discussion with Pfizer regarding
PharmAssist Promotional Program

CONFIDENTIAL

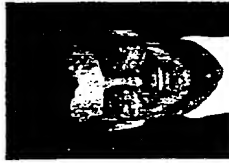
This document contains proprietary ideas, concepts, and other information which belong exclusively to the authors. Information disclosed herein should be considered proprietary and confidential. This document is the property of the authors and may not be disclosed, distributed, or reproduced without the express written consent of the authors.

Introductions



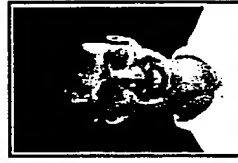
nCircle Communications

- Stanford-based technology firm focused on developing media content for mobile computing platforms
- Current areas of development include: sports & entertainment, business & trade conventions, and medical marketing



Richard Fledotin, MD

- Associate, Morgan Stanley Equity Research
- Senior Clinical Product Consultant, HBO & Co., 1995-1997
- Founder, American Medical Forms, 1994-1998 (clients include Merck, Pfizer and Warner-Lambert)
- Surgical Resident, Emory University, 1994-1995



Simon Mawby

- Consultant, ZS Associates 1993-96
- Consultant, NDC Health Information Services 1996-98
- Author of several software products used in the pharmaceutical industry
- Worked with sales forces in the USA, UK, Canada, Mexico, Spain, France and South Africa



Jeff Tangney

- Manager, ZS Associates 1993-1997
- Associate, Goldman Sachs - Healthcare Investment Banking
- Experience includes work with Warner-Lambert, Pfizer, BMS, Roche, Searle, and Merck
- Worked with pharmaceutical sales forces in 16 countries on 6 continents



CONFIDENTIAL
1998 by nCircle Communications, Inc.



Agenda

Exhibit

Pharma Marketing Environment

What is PharmAssist?

(Product Demonstration)

Benefits for Physicians

Benefits for Payors

Benefits for Pfizer

Next Steps

Appendices

Backup ROI Data

Overview of Off-the-Shelf Features

I

II

III

IV

V

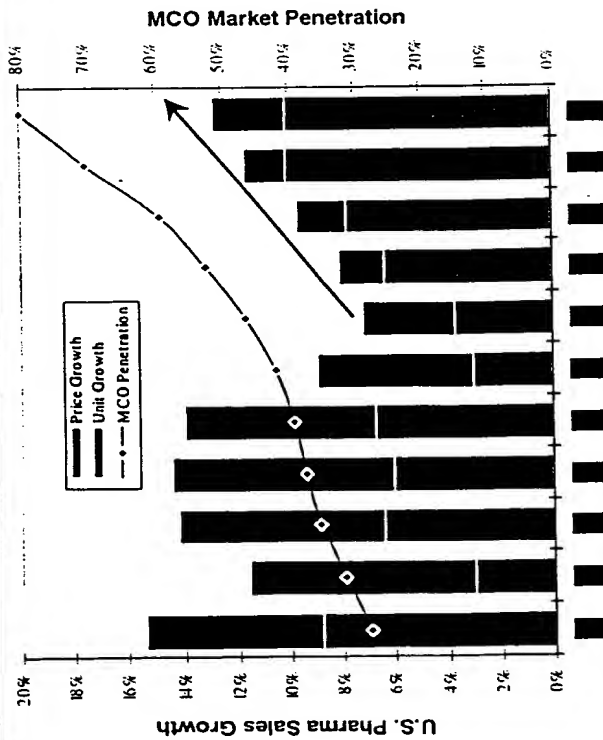
VI

A

B

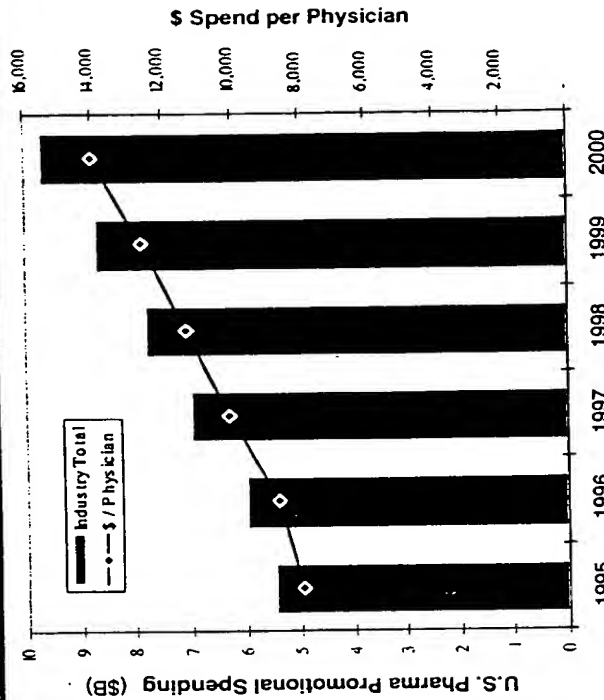
Key Trends in U.S. Pharmaceuticals

Managed Care Fuels Unit Growth . . .



- Managed care has held down prices but increased utilization. The net result is strong (>10%) growth.
- Increased utilization coupled with favorable demographics and robust R&D pipelines makes pharmaceuticals an attractive growth market.

. . . while Promotional Spending Intensifies



- Promotional spending to physicians expected to grow more than 25% in the next 3 years.
- Subject to formulary availability, the physician remains the key decision maker.
- DTC advertising has grown in importance, but still amounts to <20% of total promotional spending.

Source: IMS America and InterStudy.



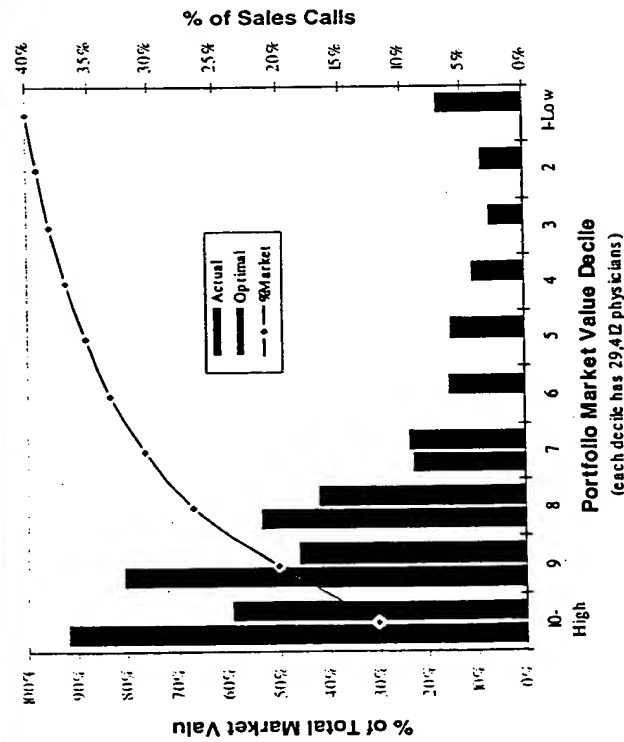
CONFIDENTIAL
1998 by nCircle Communications, Inc.

Source: Dain Rauscher Wessles and Scott-Levin.



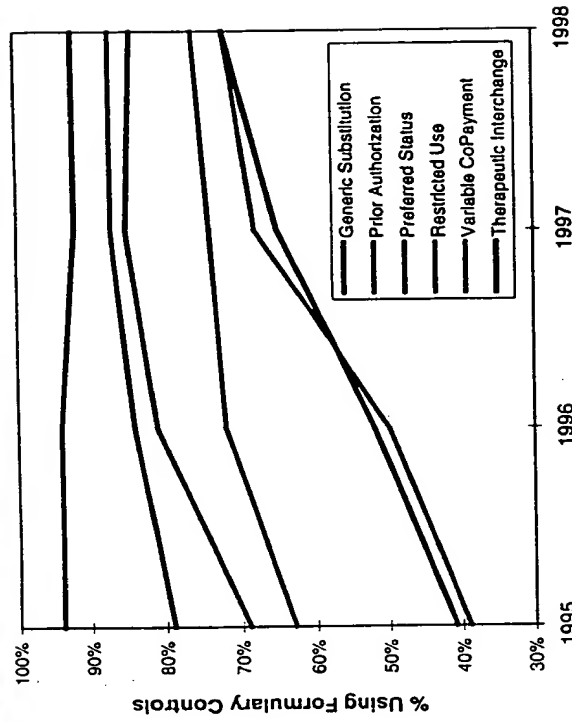
Two Increasingly Critical Barriers to Marketing Success

Access to Top Physicians



- Access to top prescribing physicians is increasingly limited by MCOs and growing competitive noise.
- The top 30,000 physicians represent over 30% of the combined market for Cardiovascular, Antibiotics, and Anti-depressants.

Formulary Position



- Not only are formularies becoming more prevalent, they are also gaining more control through measures like therapeutic substitution.
- Over 80% of HMOs currently maintain a closed or partly closed formulary.

Source: IMS script level data for combined CV, AB, and AD markets, 1995. Includes only physicians who have written at least 10 scripts in the past year. Call data based on actual major pharma company.

Source: Pharmacy Benefit Report, Trends and Forecasts, 1997 Edition, Novartis, East Hanover, N.J.



CONFIDENTIAL

1998 by nCircle Communications, Inc.



PharmAssist Helps Overcome the Access Barriers

Access to Top Physicians

- Great "Door Opener" for tough to reach top physicians
- Add-on programs and support provide ongoing rep access
- Prominent brand name display with high viewing frequency
- Gather personal/practice data on top targeted physicians
- Deliver personalized electronic advertising

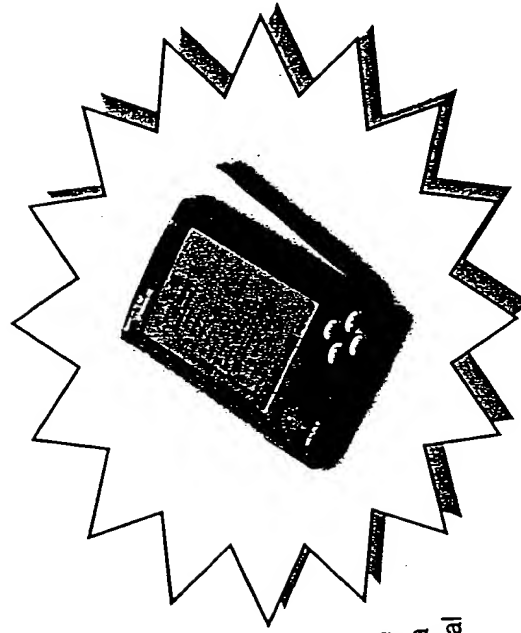
Favorable Formulary Status

- Partner with payers to reinforce formularies and guidelines
- Improve physician productivity
- Develop technology platform for additional programs
- Build ongoing relationship with payers
- Gain real-time access to changes in formulary status

PharmAssist is a novel promotional program designed to give pharmaceutical companies unparalleled access top physicians while simultaneously improving rapport with payers.

What is PharmAssist?

- PharmAssist is promotional program which provides high value physicians with **Personal Digital Assistants (PDAs)** bundled with customized software, ongoing support, and online access.



Practice Management

- Formulary Database
- Referral Lists
- Digital Dictation
- Patient Record Keeping

Medical Reference

- Pocket Pharmacopeia
- Sanford's Antimicrobial
- Article Reprints
- and more available

CME

- Case Studies
- Q&A
- Conference Updates

Entertainment

- Games/Trivia
- Restaurant/Movie Guides
- News

Personal Productivity

- Day Planner
- Contact Database
- Personal Finance

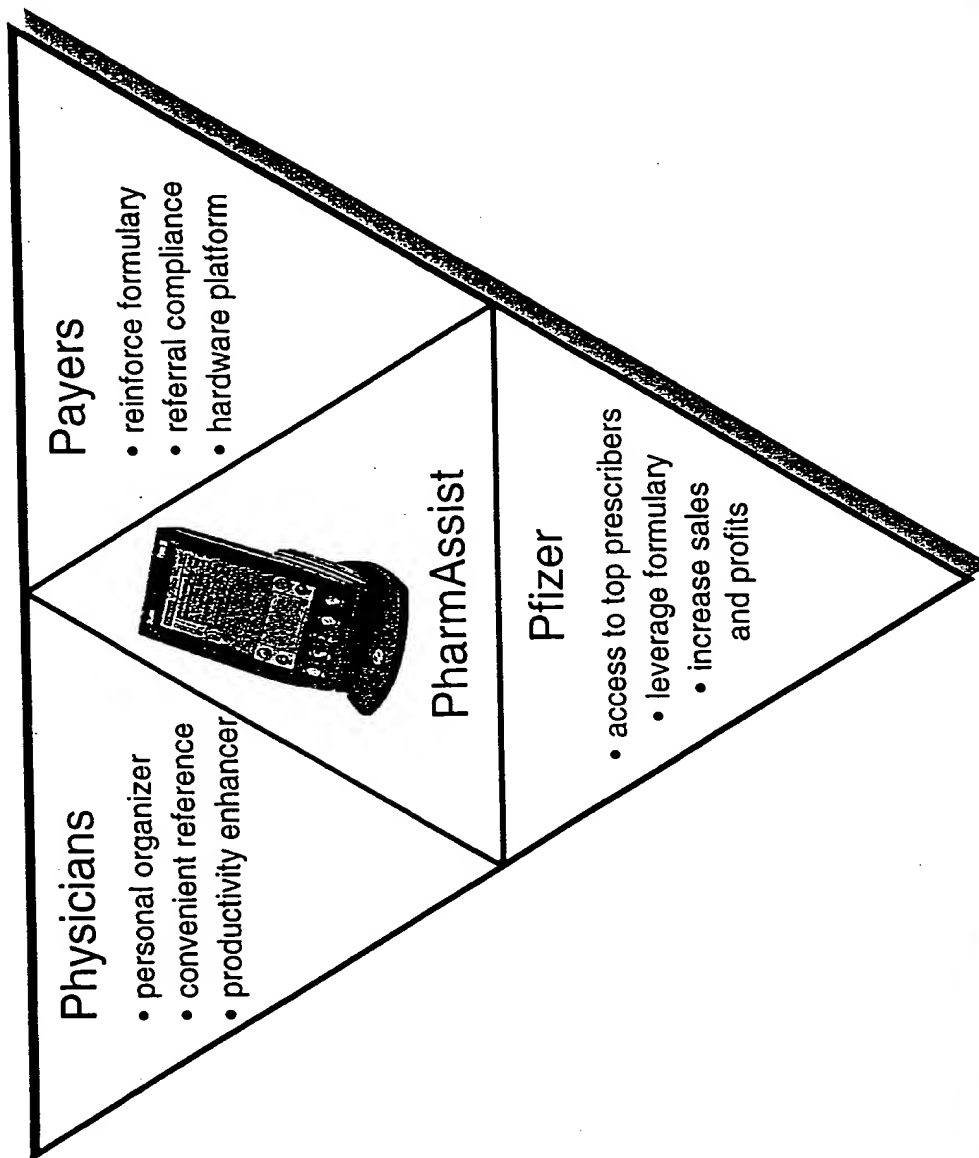
Communications

- Pager
- Web Enabled
- E-mail
- Voice Activation
- Note taking

Off-the-Shelf Applications

nCircle Custom Applications

PharmAssist: A Win-Win-Win Proposition





Key Benefits for Physicians

■ Clinical

- Easy access to the latest medical information at the point of care
- Best-of-class content enhanced with hypertext links and analytical tools
 - improved quality of care
 - facilitated CME
 - broader base of knowledge
 - greater ability to address clinical demands of MCO gatekeeper role

■ Practice Management

- Integrated pager and dictation features
- Light weight, portable hardware with embedded content obviates need for additional costly reference materials/updates and desk space as well as reliance on slow network connection
- Easy access to current plan formularies and referral lists → greater compliance with payer rules
 - increased front- and back-office efficiency
 - more time spent on patient care and increased patient throughput
 - maintenance of payer contracts
 - decreased oversight by payers

■ Personal

- Date book, address book, to-do list, memos
- Free software and content from the Internet (e.g. financial calculator, wine lists, golf scorer, etc.)
- Pager and reminder dictation

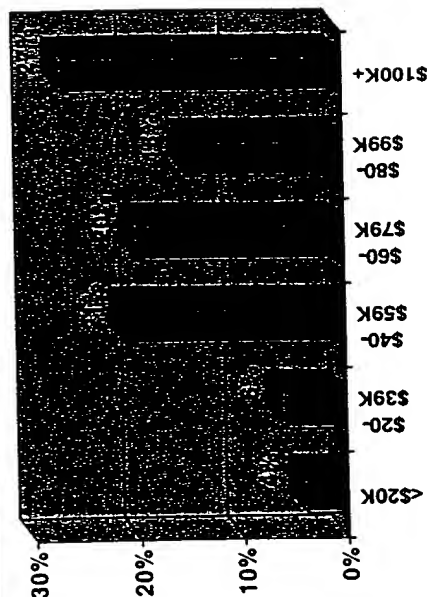


Demographic Compatibility

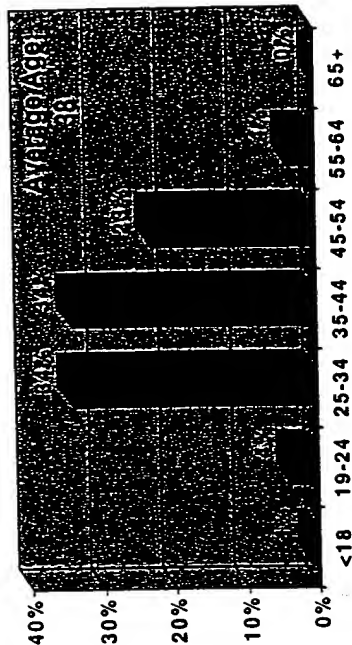
Technology Acceptance

- Number one consumer product launch in history.
- There are at least nine major Internet sites targeted specifically at needs of physicians and healthcare providers.
- Several sites, like Medscape and Physician's On-Line already boast over 600,000 members.
- Pilot PDA programs already in place at Massachusetts General and other sites.

Income



Age



Current PDA Users

Industry	%
Technology	33.0
Financial Services	8.2
Healthcare	8.0
Manufacturing	7.2
Education	7.0
Distribution/Sales	5.0

Source: Palm Pilot phone survey of 400 randomly selected users, July 1997. Medscape on-line newsletter, and other Internet sources.

CONFIDENTIAL
© 1998 by nCircle Communications, Inc.





Key Benefits for Payers

■ Improved Formulary and Referral List Compliance

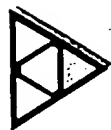
- Additional platform on which to communicate formulary and referral list
- Easy-to-use, hypertext-linked tool facilitates looking up medications and referral physicians
- Inexpensive, rapid updates to formulary and referral list
 - greater compliance with formulary and referral lists
 - cut Rx costs by improving formulary compliance and out-of-network expenses
 - information is always up-to-date
 - benefits come at no cost to payers

■ Provide Hardware Platform

- Potential for payers to leverage PDA for additional benefits
 - communicate with physicians (through you) via pager or web
 - billing codes, scheduling, script tracking and much more

■ Develop Rapport with Physicians

- Assist physicians in dealing with multiple plans
- Be viewed as sympathetic to physicians' need for administrative support



Key Benefits for Pfizer

■ Establish Long-term Positive Relations with the Most Valuable Physicians

- *Door Opener:* Top physicians will ask to see reps
- *Quality Time:* Reps get high value face time consulting with physicians
- *Profile Data:* Gather personal data on usage and user profiles
- *Brand Placement:* Average user turns on PDA 13 times daily¹
- *Follow-up Visits:* Rep demonstrates new features/benefits
- *Electronic Ads:* Personalized content via both Internet and PDA
- *Add-ons:* Offer top physicians low-cost high-value accessories

■ Harness Value of Formularies for Pfizer

- *Push-through:* Gain increased formulary access by offering value to payers
- *Pull-through:* Reinforce favorable formulary status

⇒ Increased Sales and Profits

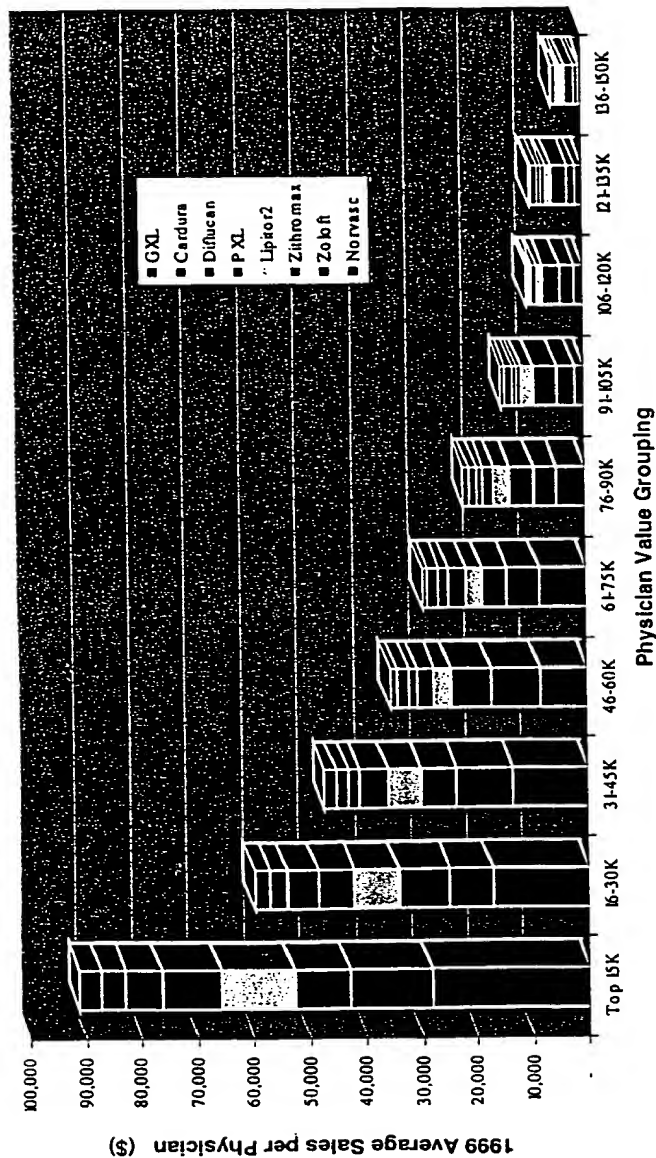
⇒ Attractive Return-on-Investment (ROI)

- On a stand-alone basis
- Relative to other promotional programs

¹Source: Palm Pilot phone survey of users, July 1997.



Estimated Future Value of Top Physicians



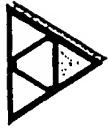
Based on current sales projections, the top 15,000 physicians will be worth nearly \$300,000 apiece in total Pfizer sales over the next 3 years.

Notes: Based on dollarized IMS Market data as of 12/95. Includes only major promoted products (as listed) excluding Viagra, Aricept, and Zyrtec. Assumes that 30% of Lipitor sales are credited to Pfizer. Sales forecasts based on Morgan Stanley Dean Witter estimates as of 7/12/98. Supporting data tables provided in Appendix A.

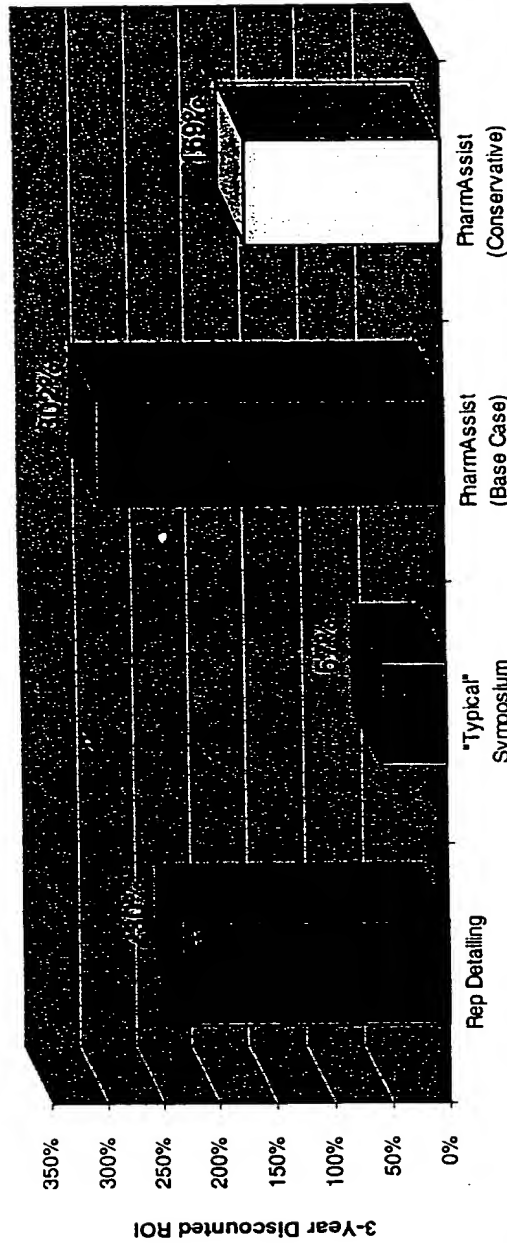


CONFIDENTIAL
© 1998 by nCircle Communications, Inc.





Comparing Promotional ROI



Promotional Activity	Average Cost/Physician	"Typical" Symposium			3-Yr Disc. Profit ³	3-Yr Disc ROI ⁴	Other Considerations
		Estimated % Sales Impact ² 1999	2000	2001			
Rep Detailing	\$ 1,250	10%	2%	1%	\$ 2,873	230%	Difficult to "exit" investment (i.e., fire reps); should therefore expect a higher ROI hurdle rate.
"Typical" Symposium	\$ 1,000	3%	1%	1%	\$ 571	57%	Normally limited to one product or indication. 3% growth in the overall top-line is very optimistic.
PharmAssist (Base Case)	\$ 700	4%	3%	2%	\$ 2,114	302%	Unlike other programs which are soon forgotten, PharmAssist becomes more valuable over time as physicians integrate its functionality into their daily routine. By considering only a 3-Yr horizon, we are conservative in estimating this value.
PharmAssist (Conservative)	\$ 700	3%	2%	1%	\$ 1,183	169%	

¹ Assumes an average of 10 calls per year at \$125 per call.

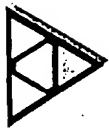
² Measures incremental sales per physician due to 1999 promotional activity only. Year 2000-2001 represent carryover sales.

³ Based on an "average" physician with 1999 sales value of \$40,000. Assumes an 80% incremental profit margin and 12% discount rate for future cash flows.

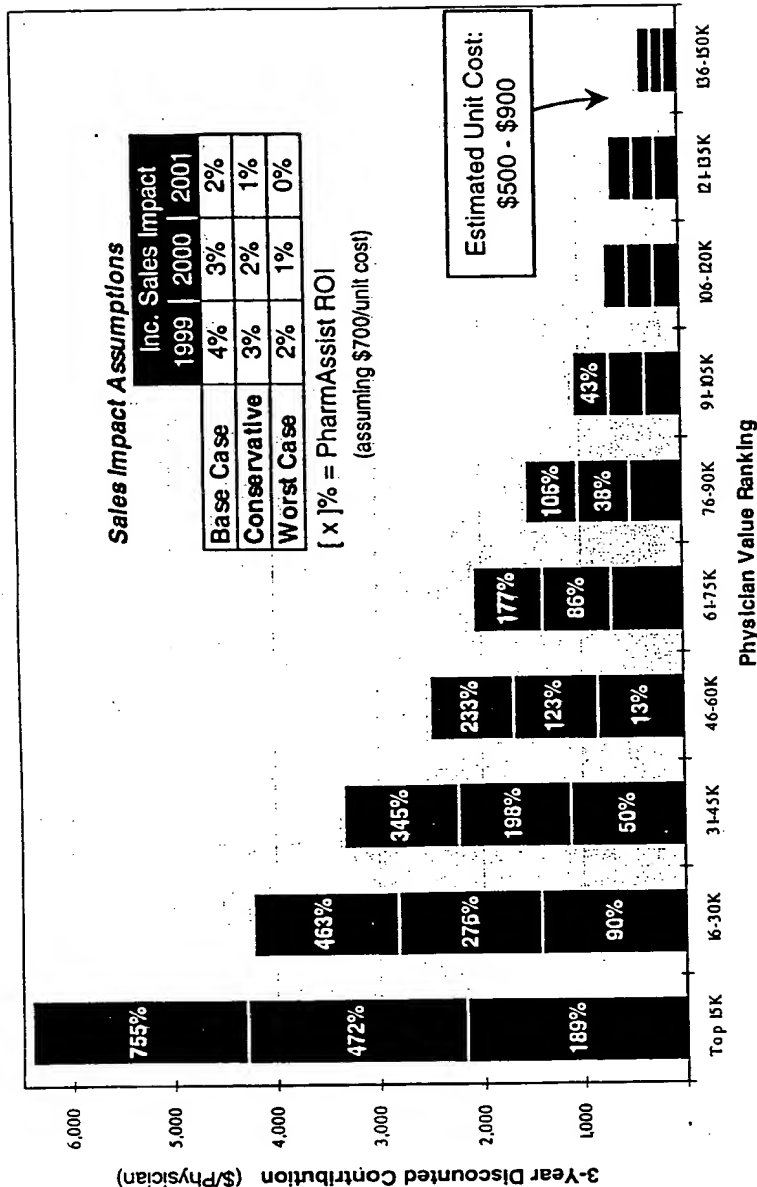
⁴ ROI measures 3-Yr Disc Profit over upfront cost.



CONFIDENTIAL
© 1998 by nCircle Communications, Inc.



PharmAssist ROI



Even with conservative assumptions, PharmAssist generates Pfizer profits of at least \$1,000 per unit for the top 50,000+ physicians.

Notes: Contribution represents the 3-Yr incremental profit derived from PharmAssist program incremental sales. Conservatively assumes 80% incremental profit margin on sales and a 12% discount rate on future year profits. Includes only major promoted products (as listed on previous page) excluding Viagra, Aricept, and Zytex. Conservatively assumes that 30% of Lipitor sales and profits are credited to Pfizer. Sales forecasts are based on MorganStanley Dean Witter estimates as of 7/12/99. Supporting data tables provided in Appendix A.



CONFIDENTIAL
© 1998 by nCircle Communications, Inc.

Partnering with nCircle

nCircle Competency

Outsourced
to nCircle

PDA Software Coding

Software Design

Content Licensing

OEM Partnering

Online Content Partnering

WebSite Development

Technical Support

Sales Rep Training

Packaging

On-Screen Marketing Design

FDA Regulatory Approval

MCO Partnering/Sales

Distribution

Pfizer
In-House

Pfizer Competency

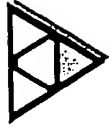


CONFIDENTIAL
© 1998 by nCircle Communications, Inc.



Next Steps

THIS PAGE BLANK (USPTO)



Economic Model: Sales Forecasts

Product	Sales Forecasts (\$MM)		
	1999	2000	2001
Norvasc	1,390	1,571	1,728
PXL	512	384	288
GXL	218	224	231
Lipitor ²	683	921	1,133
Zithromax	903	1,129	1,355
Cardura	366	275	165
Diflucan	420	420	420
Zoloft	1,554	1,678	1,762
Total	6,046	6,602	7,082

Notes: Sales forecasts are based on MorganStanley Dean Witter estimates as of 7/12/98.



CONFIDENTIAL
1998 by nCircle Communications, Inc.





Economic Model: Value of Top Physicians

Product	Physician Ranking Based on Value to Pfizer ¹										Total (A-J)
	A	B	C	D	E	F	G	H	I	J	
Norvasc	30%	18%	14%	9%	9%	5%	2%	2%	1%	1%	92%
PXL	30%	18%	14%	9%	9%	5%	2%	2%	1%	1%	92%
GXL	26%	19%	14%	7%	7%	7%	5%	3%	3%	2%	92%
Lipitor ²	28%	17%	13%	7%	6%	6%	5%	3%	2%	1%	89%
Zithromax	16%	15%	11%	12%	7%	7%	7%	5%	5%	3%	88%
Cardura	18%	12%	9%	9%	9%	5%	5%	2%	4%	2%	76%
Diflucan	22%	19%	6%	5%	6%	5%	3%	2%	3%	2%	71%
Zoloft	14%	8%	10%	8%	5%	4%	3%	3%	1%	1%	56%
Total ³	22%	15%	12%	9%	7%	5%	4%	3%	2%	1%	79%

Roughly 15,000 physicians account for over 20% of Pfizer's total dollar business. The top 150,000 represent nearly 80%.

¹Based on dollarized IMS Market data as of 12/95. Includes only major promoted products (as listed) excluding Viagra, Adcepl, and Zyrtec.

²Assumes that 30% of sales are credited to Pfizer.

³Totals based on dollarized values and therefore are most affected by the largest products.



Economic Model: Future Value of Physicians

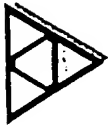
Product	1999 Average \$ Value per Physician									
	A	B	C	D	E	F	G	H	I	J
Novasc	28,596	17,196	13,524	8,529	8,671	5,107	1,757	1,534	1,319	629
PXL	10,533	6,334	4,981	3,142	3,194	1,881	647	565	486	232
GXL	3,883	2,824	2,003	1,042	1,034	984	767	409	407	277
Lipitor ²	13,055	7,952	6,023	3,180	2,912	2,869	2,334	1,184	1,118	625
Zithromax	9,755	9,135	6,518	7,312	4,590	4,118	4,182	3,159	3,118	1,845
Cardura	4,490	3,080	2,306	2,181	2,191	1,319	1,242	416	1,118	609
Diflucan	6,322	5,393	1,825	1,362	1,581	1,305	715	558	811	518
Zolof	14,614	7,940	10,111	8,670	5,576	4,258	3,296	2,653	1,341	729
1999 Total	91,248	59,853	47,292	35,419	29,750	21,840	14,940	10,478	9,719	5,463
2000 Total	99,505	65,509	51,825	38,857	32,170	24,103	16,842	11,859	10,779	6,081
2001 Total	106,824	70,629	55,850	41,904	34,287	26,119	18,524	13,119	11,716	6,631
3-Yr Total	297,577	195,991	154,967	116,180	96,207	72,062	50,306	35,455	32,214	18,175

Based on current sales projections, the top 15,000 Physicians will be worth nearly \$300,000 apiece in Pfizer sales over the next 3 years.

Notes: Includes only major promoted products (as listed) excluding Viagra, Aricept, and Zyrtec. Conservatively assumes that 30% of Lipitor sales and profits are credited to Pfizer. Sales forecasts are based on MorganStanley Dean Witter estimates as of 7/12/98.



CONFIDENTIAL
© 1998 by nCircle Communications, Inc.



Economic Model: PharmAssist ROI

PharmAssist Return on Investment per Physician (assuming 3% sales impact in 1999, 2% in 2000, and 1% in 2001)

Physician Ranking	A	B	C	D	E	F	G	H	I	J
1999 Inc. Sales	2,737	1,796	1,419	1,063	892	655	448	314	292	164
2000 Inc. Sales	1,990	1,310	1,036	777	643	482	337	237	216	122
2001 Inc. Sales	1,068	706	558	419	343	261	185	131	117	66
3-Yr Inc. Sales	5,796	3,812	3,014	2,259	1,879	1,398	970	683	624	352
1-Yr Contribution	2,190	1,436	1,135	850	714	524	359	251	233	131
3-Yr Disc. Cont.	4,293	2,823	2,232	1,672	1,392	1,035	717	505	462	260
Implied 3-Yr ROI	560%	334%	243%	157%	114%	59%	10%	-22%	-29%	-60%
Breakeven 3-Yr Impact	0.3%	0.4%	0.5%	0.7%	0.8%	1.1%	1.6%	2.3%	2.5%	4.5%

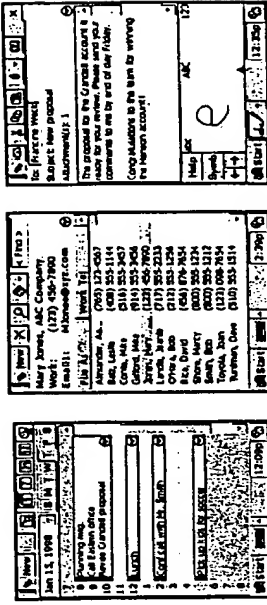
Even with conservative assumptions, PharmAssist generates a ROI of greater than 150% for the top 50,000+ physicians.

Notes: Contribution represents the 3-Yr incremental profit derived from PharmAssist program incremental sales. Conservatively assumes 80% incremental profit margin on sales and a 12% discount rate on future year profits. Includes only major promoted products (as listed on previous page) excluding Viagra, Aricept, and Zytac. Conservatively assumes that 30% of Lipitor sales and profits are credited to Pfizer. Sales forecasts are based on MorganStanley Dean Witter estimates as of 7/12/98.

Overview of Off-the-Shelf Features

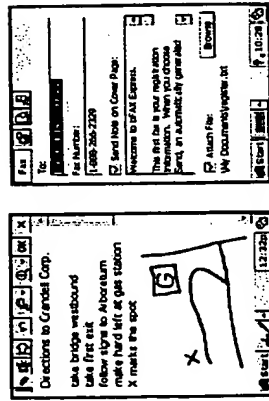
■ Personal Productivity Software

- Day Planner with Meeting Alarm/Reminder
- Task Lists
- E-mail
- Contact Manager



■ Communications

- Digital Voice Recording
- Voice activation
- Built-in modem for remote access
- Synchronize with Desktop PC
- Pager / FAX



■ Other Applications/Features

- Built-in battery recharger
- Web browsing
- Word processing
- Games

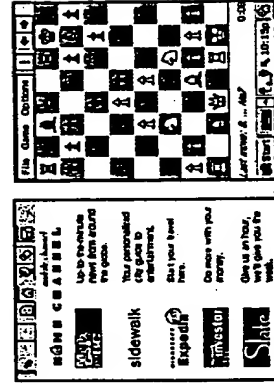
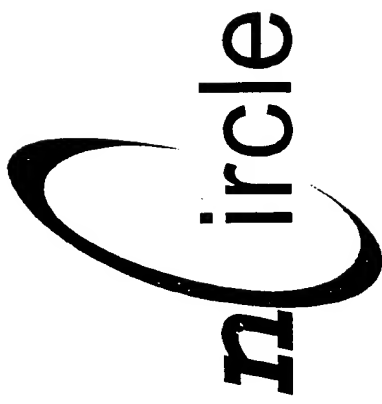


EXHIBIT C



Communications

Business Opportunity Discussion

CONFIDENTIAL

This document contains proprietary ideas, concepts, and other information which belong exclusively to the authors. Information disclosed herein should be considered proprietary and confidential. This document is the property of the authors and may not be disclosed, distributed, or reproduced without the express written consent of the authors.

Introductions

nCircle Communications, Inc.



Mission: To be the leading provider of mobile computing systems for physicians

Co-Founders



Richard Fiedotin, MD

- HBO & Co. - Clinical Product Consultant
- American Medical Forms - Founder (clients include Merck, Pfizer and WLA)
- Morgan Stanley - Equity Research.
- MBA, Stanford



Jeff Tangney

- Goldman Sachs - Healthcare I-Banking
- ZS Associates Consulting - Manager
- Worked with WLA, Merck, Pfizer, Searle, BMS, & other pharma in total of 16 countries
- MBA, Stanford

Core Team

Shubhasheesh Anand

- MSCS, Stanford
- BSCS/BSE, IIT
- Silicon Graphics - Project Manager
- IBM - Senior Software Engineer

Sachin Naik

- BSCS, IIT
- Tandem - Software Eng.

Rachel Pyrdol

- MSME, Stanford
- IDEO - Product Developer
- Product Genesis - Mech. Eng.
- Lunar Design - Mech. Eng.

Dan Zucker

- PhD EECSL Stanford
- MS/EE BS/EE, Stanford
- Mgr Network Apps
- AMD

Consultants

Thomas Lee, MD
Stanford MBA

Kim Jacobson
Stanford MBA

Simon Mawby
Stanford MBA



CONFIDENTIAL
© 1998 by nCircle Communications, Inc.



What is a Formulary?

- A list of drugs your insurer will pay for.
- Imposed by insurers to cut costs.
- Determined by clinical efficacy and ongoing price negotiations with pharmaceutical companies.

Sample Drug Formulary List for Top California Insurers:

ACE Inhibitor Drugs -- Formulary Status for Top California Plans

Generic Name	Brand Name	Aetna	Blue Shield	California				Kaiser			
				Care	CIGNA	Health Net	North	Lifeguard	PacificCare	United	
Benazepril	Lotensin	ON	ON	ON	ON	ON	off	ON	ON	ON	
Captopril	Capoten	Gen	Gen	Gen	Gen	ON	Gen	ON	Gen	Gen	
Enalapril Maleate	Vasotec	off	off	off	off	off	off	off	PA	ON	
Fosinopril	Monopril	ON	ON	ON	ON	ON	off	ON	PA	ON	
Lisinopril	Prinivil	ON	ON	off	ON	off	off	off	off	ON	
Lisinopril	Zestril	off	off	ON	off	ON	ON	ON	ON	off	
Lisinopril/HCTZ	Prinzide	off	off	ON	off	off	off	ON	ON	off	
Losartan	Cozaar	ON	off	off	PA	off	off	ON	PA	ON	
Quinapril	Accupril	ON	off	ON	ON	ON	off	off	PA	ON	
Ramipril	Altace	ON	off	off	off	off	off	off	PA	off	

Legend: "ON" = on formulary (paid for), "off" = off formulary (not paid for), "Gen" = generic only, and "PA" = Prior Authorization req'd for payment.

Formulary Management Today

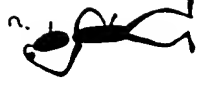
How is formulary information communicated?



Each insurer delivers formulary books or binders to physicians quarterly or semi-annually



Insurers employ sales forces to remind physicians of formulary restrictions and changes

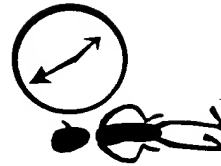


Doctors must either memorize formulary lists or refer to binders for each prescription written

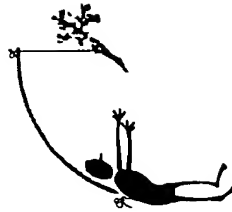
What happens when a physician doesn't comply?



Pharmacist detects "off-formulary" prescription and calls physician for therapeutic substitution



Patient and pharmacist wait while nurse delivers message to physician, physicians consults patient records, and calls back with alternative drug



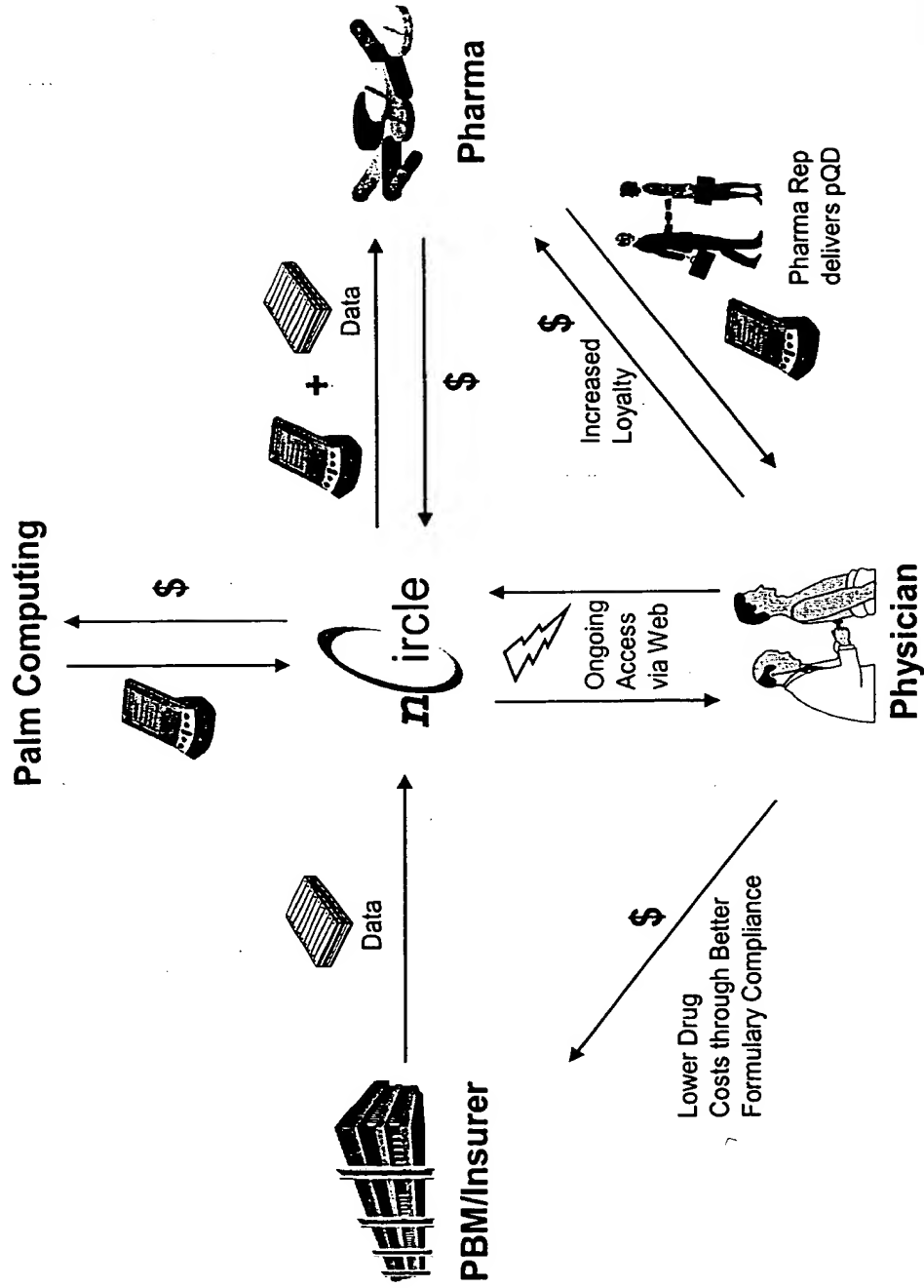
"Risk pooling" arrangements with insurers financially punish physicians for writing off-formulary prescriptions

A Growing Problem for Physicians

- The number of contracted plans is proliferating
 - Alphabet soup of plans: HMO / PPO / POS / FFS / IPA
 - The average physician contracts with 5.5 insurance plans
 - Top prescribing physicians typically deal with upwards of 30 plans
- Formularies becoming increasingly restrictive
- Formulary management growing more aggressive

Despite financial disincentives, the hassle of pharmacist callbacks, and ongoing marketing and education efforts, roughly **20% of all prescriptions today are still written off formulary.**

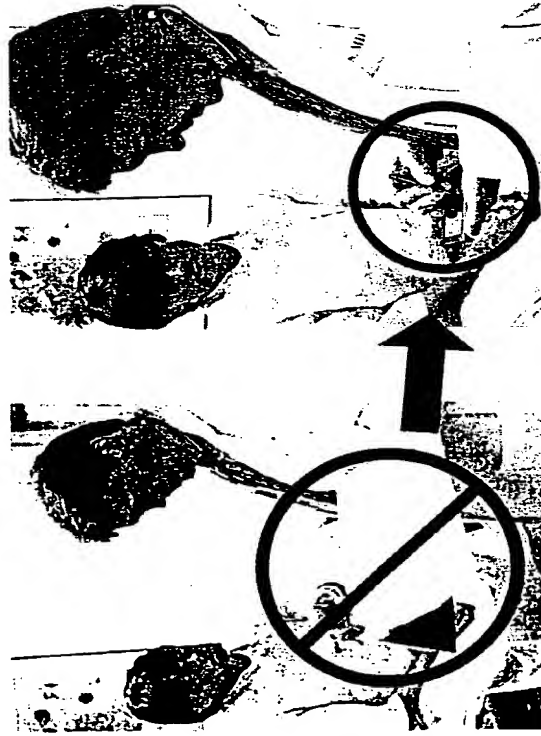
Phase I: Business Model Overview



The Solution? Physicians' Query Device (pQD)

pQD = Use Daily

*Just what the Doctor ordered.
Simple. Functional. Intuitive.*



Before pQD

Wade through dozens of binders to find the ever-changing insurance rules for a particular patient.

After pQD

Quick and easy formulary and referral data in 3 clicks or less. No need to leave the room and no need to worry about updates.

Stage I Application Suite

■ Core Reference Applications

- Formulary
- Drug Dosing
- Drug-Drug Interactions
- ICD-9 Codes

■ Personalized Messaging

Keep abreast of FDA Alerts, article reprints, and events with personalized messaging options.

■ Internet Conduit and Database

Via your web-enabled PC or Mac, pQD automatically downloads updated data and messages.

nCircle pQD Product Design Mandates

- pQD must operate the way physicians do – it must be mobile, intuitive, and fast
- pQD must fit the physician's workflow -- it will require no security logins, no leaving the exam room, and no interruption of face-to-face patient interaction
- The limitations and the potential of pQD must be clearly recognized – excessive technological ambition will lead to market rejection
 - No data entry required. Simple pointer navigation system.
 - One-touch updates from web-accessible PC
- pQD feature creep should be gradual – physicians will not absorb radical changes to their practice patterns
- Physicians are loathe to pay for technology – pQD must be free to them

What Physicians Are Saying About pQD

nCircle has conducted extensive one-on-one interviews and focus group prototype testing with over 50 practicing physicians to review our product design and concept. Here's what they're saying:

■ Eliminates Hassle

- "Formulary compliance is important. But it is also unachievable without help. I need something like this. It would save me and my patients a lot of hassles."

-Internist, Bethesda, MD

- "The insurance companies impose all kinds of rules on us. They make my life impossible. Anything that can help me deal with them even a little bit would be valuable."

-Internist, San Jose, CA

■ A Real Time-Saver

- "I don't have the time to look things up in the books and I don't like leaving the exam room to do so. In fact, I throw the books away. This I could use."

-Oncologist, Atlanta, GA

- "I spend a lot of time dealing with calls from pharmacies and patients when I write off-formulary. The problem is that looking every prescription up beforehand is even more time-consuming. Using this device could save me literally hours of time each month."

-Cardiologist, New York, NY

■ A Popular Platform

- "I normally don't meet with drug reps but I would be willing to schedule an appointment with one in exchange for a free Palm Pilot."

- "I have a Palm but I would love a new one."

-Gastroenterologist, San Jose, CA

Physicians' Enthusiasm for the Palm Platform

Technology Acceptance

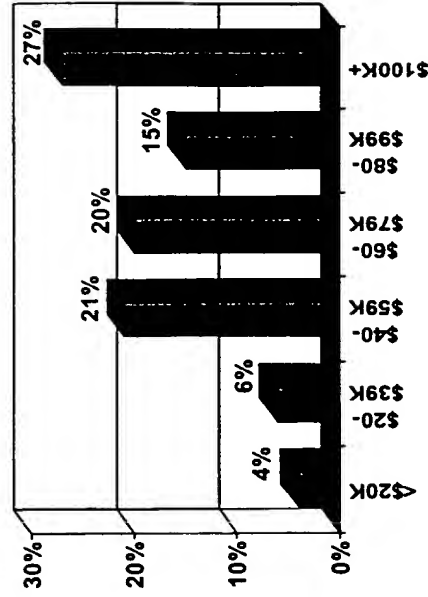
- The Palm Pilot is #1 consumer electronics launch in history (in terms of unit sales growth)
- Eighty-five percent of physicians have Internet access. Sixty-three percent use email daily.
- Several sites, like Medscape and Physician's On-Line already boast over 600,000 members.
- Pilot Palm programs already in place at Massachusetts General and other sites.

Current Palm Users

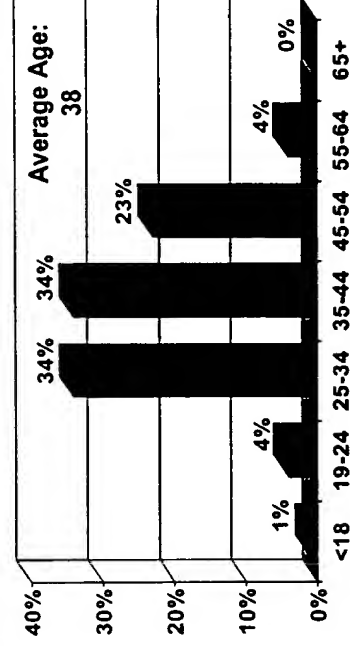
Industry	%
Technology	20.4
Healthcare	9.7
Financial Services	8.2
Communications	6.0

We estimate that roughly 100,000 physicians already own Palm organizers.

Palm Owner Income



Palm Owner Age



Source: Palm Pilot phone survey of 400 randomly selected users, July 1997 and updated March 1999; Medscape on-line newsletter, Healthcon survey, and other Internet sources.

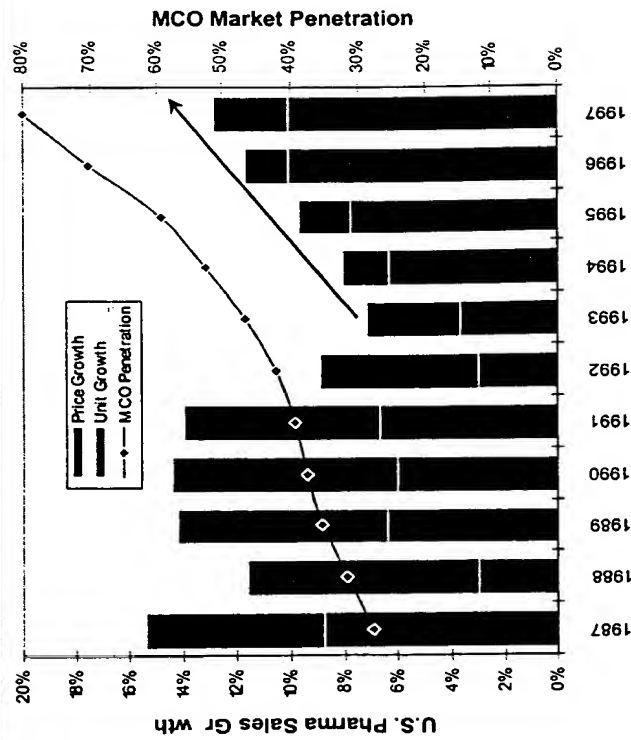


CONFIDENTIAL
© 1998 by nCircle Communications, Inc.



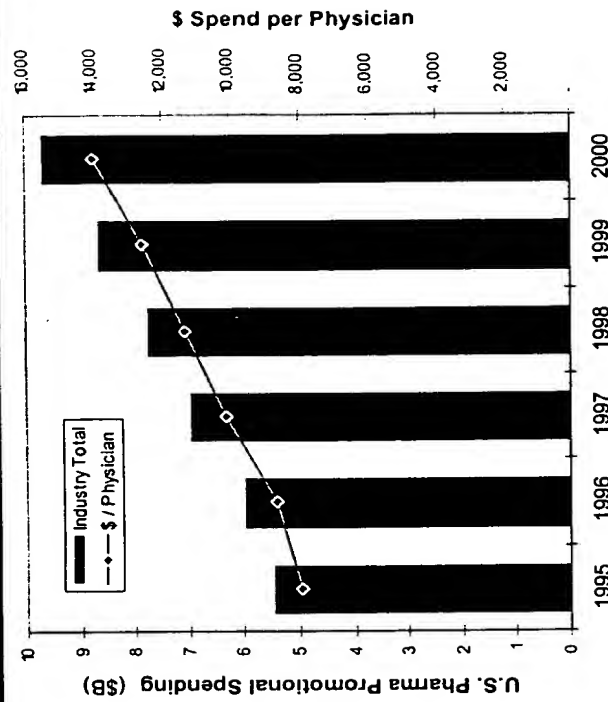
Key Trends in U.S. Pharmaceuticals

Managed Care Fuels Strong Growth ...



- Managed care has held down prices but increased utilization. The net result is strong (>10%) growth.
- Increased utilization coupled with favorable demographics and robust R&D pipelines makes pharmaceuticals an attractive growth market.

... which Fuels Marketing "Arms Race"



- Promotional spending to physicians is expected to grow more than 25% in the next 3 years.
- Subject to formulary availability, the physician remains the key decision maker.
- DTC advertising has grown in importance, but still amounts to <20% of total promotional spending.

Source: IMS America and InterStudy.

Source: Dain Rauscher Wessles and Scott-Levin.

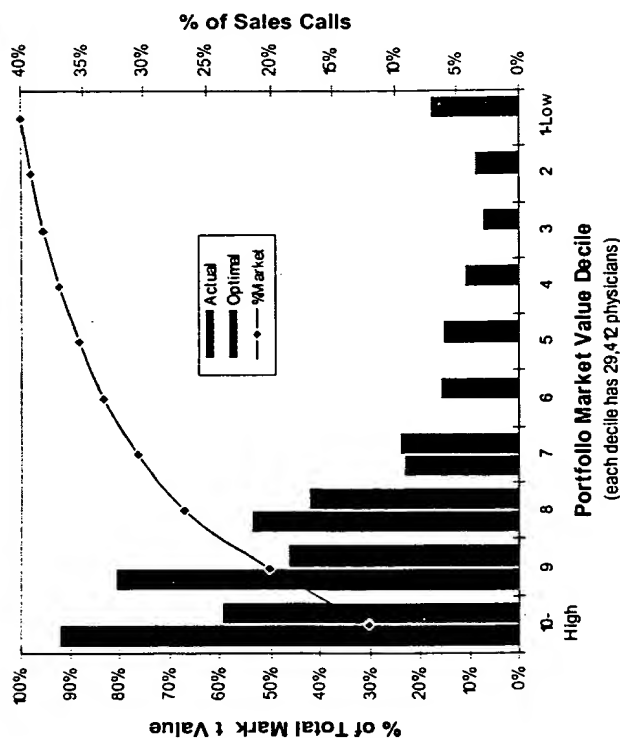


CONFIDENTIAL
© 1998 by nCircle Communications, Inc.



Critical Barriers to Marketing Success

Access to Top Physicians



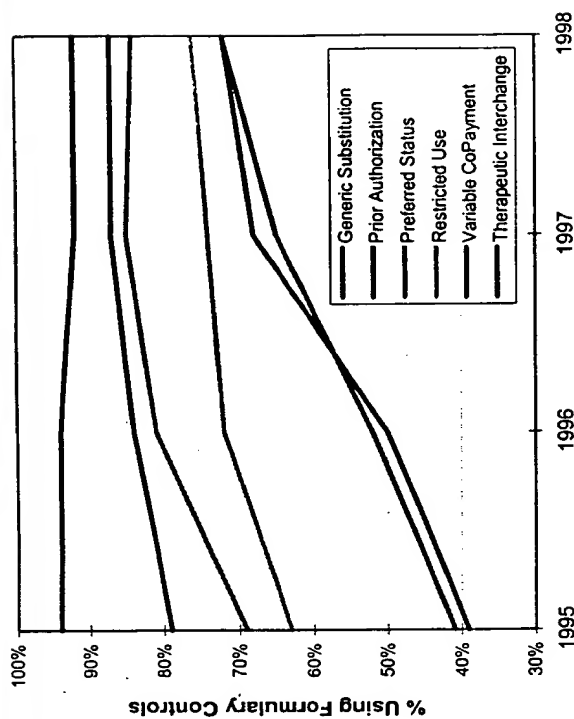
- Access to top prescribing physicians is increasingly limited by MCOs and growing competitive noise.
- The top 30,000 physicians represent over 30% of the combined market for Cardiovascular, Antibiotics, and Anti-depressants.

Source: IMS script level data for combined CV, AB, and AD markets, 1995. Includes only physicians who have written at least 10 scripts in the past year. Call data based on actual major pharma company.



CONFIDENTIAL
© 1998 by nCircle Communications, Inc.


Formulary Position



- Not only are formularies becoming more prevalent, they are also gaining more control though measures like therapeutic substitution.
- Over 80% of HMOs currently maintain a closed or partly closed formulary.

Source: Pharmacy Benefit Report, Trends and Forecasts, 1997 Edition, Novartis, East Hanover, N.J.





Key Benefits for Pharma

■ Establish Long-term Positive Relations with the Most Valuable Physicians

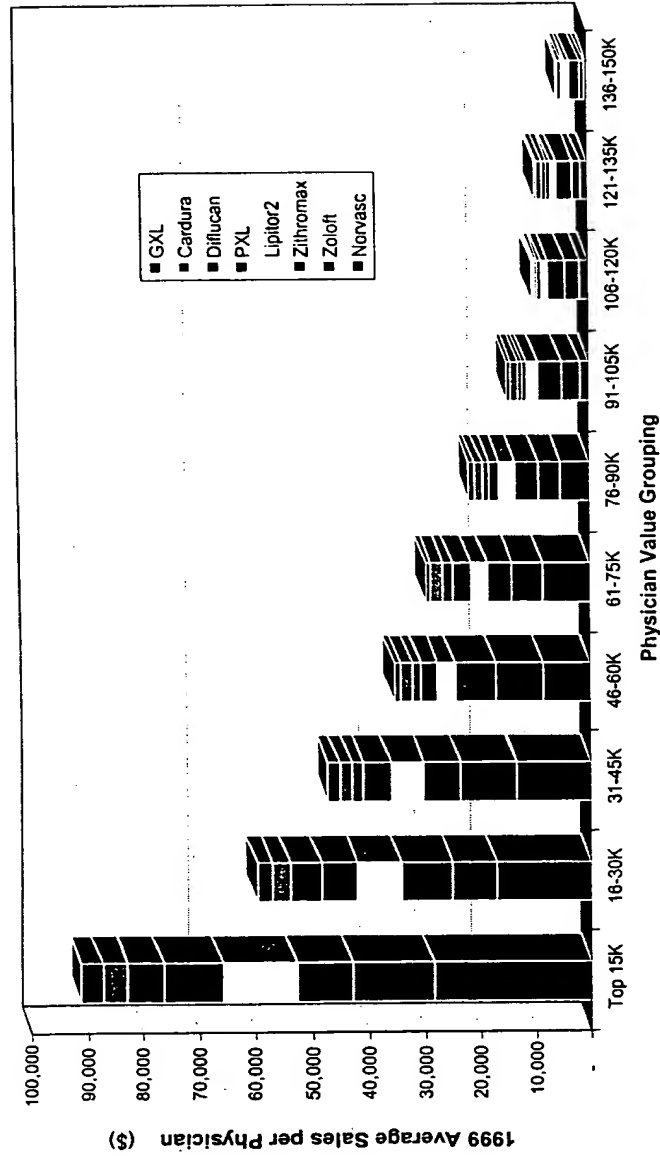
- *Door Opener:* Top physicians will ask to see reps
- *Quality Time:* Reps get high value face time consulting with physicians
- *Profile Data:* Gather personal data on usage and user profiles
- *Brand Placement:* Average user turns on Palm 13 times daily¹
- *Follow-up Visits:* Rep demonstrates new features/benefits
- *Palmtop Messaging:* True one-to-one marketing via both Internet and pQD
- *Desktop Ads:* Leverage "SuperBowl spot" when HotSyncing
- *Add-ons:* Offer top physicians low-cost high-value accessories

■ Harness Value of Formularies

- *Push-through:* Gain increased formulary access by offering value to payers
- *Pull-through:* Reinforce favorable formulary status

¹Source: Palm Pilot phone survey of users, July 1997.

Estimated Future Value of Top Physicians



Based on current sales projections, the top 15,000 physicians will be worth nearly \$300,000 apiece in total Pfizer sales over the next 3 years.

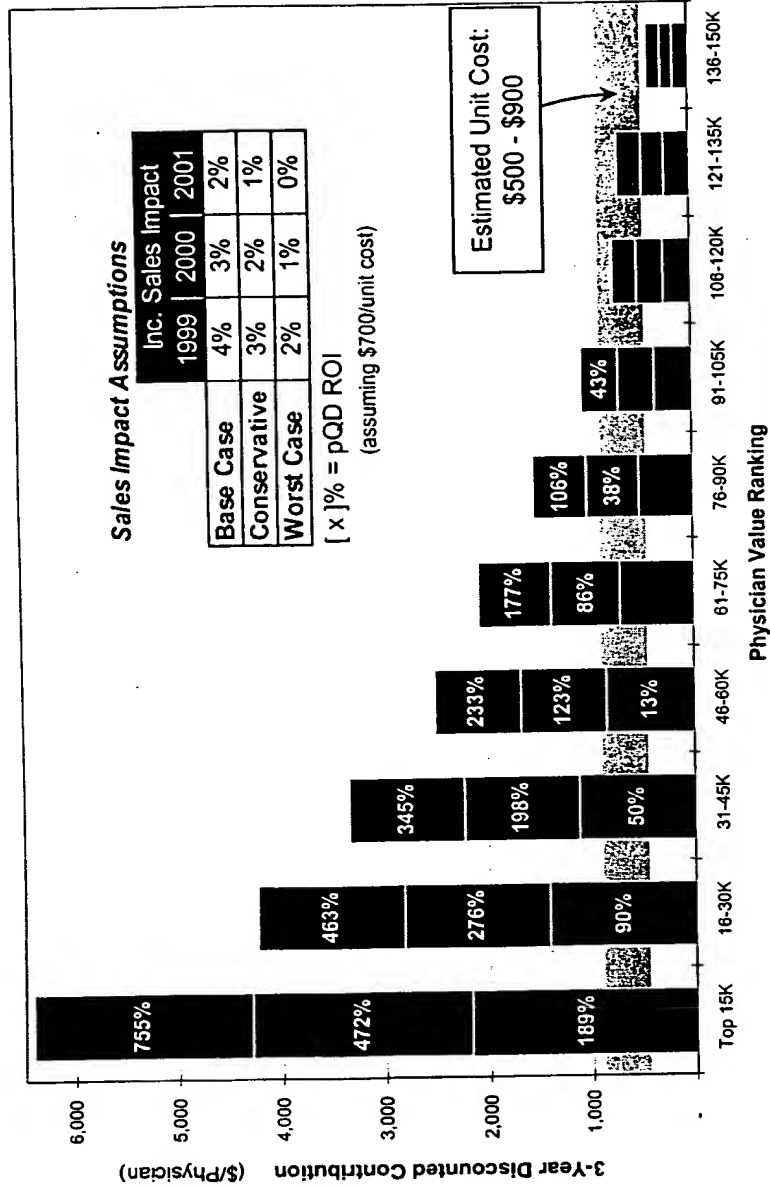
Notes: Based on dollarized IMS Market data as of 12/95. Includes only major promoted products (as listed) excluding Viagra, Aricept, and Zyrtec. Assumes that 30% of Lipitor sales are credited to Pharma. Sales forecasts based on Morgan Stanley Dean Witter estimates as of 7/12/98. Supporting data tables provided in Appendix A.



CONFIDENTIAL
© 1998 by nCircle Communications, Inc.



pQD Return on Investment to Pharma



Even with conservative assumptions, pQD generates Pharma profits of at least \$1,000 per unit for the top 50,000+ physicians.

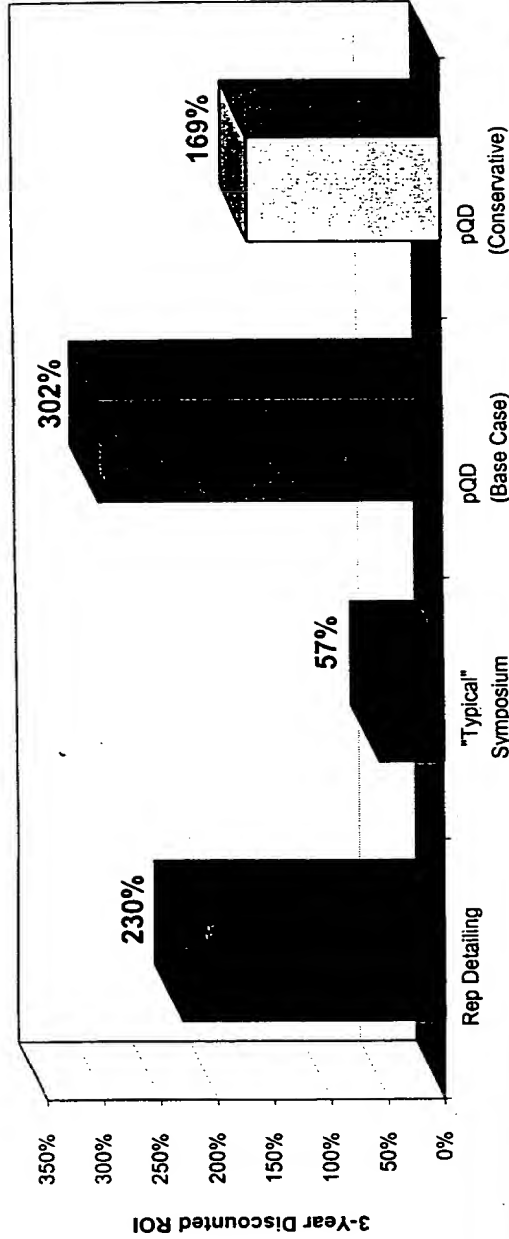
Notes: Contribution represents the 3-Yr incremental profit derived from pQD program incremental sales. Conservatively assumes 80% incremental profit margin on sales and a 12% discount rate on future year profits. Includes only major promoted products (as listed on previous page) excluding Viagra, Aricept, and Zyrtec. Conservatively assumes that 30% of Lipitor sales and profits are credited to Pharma. Sales forecasts are based on Morgan Stanley Dean Witter estimates as of 7/12/98. Supporting data tables provided in Appendix A.



CONFIDENTIAL
© 1998 by nCircle Communications, Inc.



Comparing Promotional ROI



Promotional Activity	Average Cost/Physician	Estimated % Sales Impact		3-Yr Disc. Profit ³		3-Yr Disc ROI ⁴	Other Considerations
Rep Detailing	\$ 1,250	10%	2%	1%	\$ 2,873	230%	Difficult to "exit" investment (i.e., fire reps), should therefore expect a higher ROI hurdle rate.
"Typical" Symposium	\$ 1,000	3%	1%	1%	\$ 571	57%	Normally limited to one product or indication. 3% growth in the overall top-line is very optimistic.
pQD (Base Case)	\$ 700	4%	3%	2%	\$ 2,114	302%	Unlike other programs which are soon forgotten, pQD actually becomes more valuable over time as physicians integrate its functionality into their daily routine. By considering only a 3-Yr horizon, we are conservative in estimating this value.
pQD (Conservative)	\$ 700	3%	2%	1%	\$ 1,183	169%	

¹Assumes an average of 10 calls per year at \$125 per call.

²Measures incremental sales per physician due to 1999 promotional activity only. Year 2000-2001 represent carryover sales.

³Based on an "average" physician with 1999 sales value of \$40,000. Assumes an 80% incremental profit margin and 12% discount rate for future cash flows.

⁴ROI measures 3-Yr Disc Profit over upfront cost.



Key Benefits for Payers/PBMs

- **Improved Formulary Compliance**
 - New channel for formulary data directly into the physician's shirt pocket
 - Targets top prescribers who control majority of prescription volume
 - Inexpensive, rapid updates provide greater flexibility in contracting
- **Hardware Platform Free-of-Charge**
 - Potential to leverage Palm organizer for additional applications
 - e.g., treatment pathways, on-line prescription ordering, script tracking, instant messaging and much more
- **Ease Patient, Pharmacist, and Regulatory Frustrations**
 - Ameliorate negative public sentiment and lobbying activities against formularies by reducing the hassle and confrontation of off-formulary prescriptions
- **Develop Rapport with Physicians**
 - Assist physicians in dealing with multiple plans
 - Be viewed as sympathetic to physicians' need for administrative support

A Growing Problem for Pharmacy Benefit Managers

Costly

- The nation's overall prescription-drug bill rose 16 percent last year, to an estimated \$ 94 billion, atop a 13 percent increase the year before

Contentious

- Seventeen states are currently considering bills that would "weaken the effectiveness of drug formularies" by requiring formulary coverage where physicians consider it "medically necessary"
- California recently ordered five HMOs to keep 14 drugs on their formulary

Philadelphia Inquirer

Sunday March 14, 1999

Insurers' Push to Cut Prescription Costs Risky to Patients, Doctors Say

by Jeff Gelles

A worried mother's phone call was the only warning Dr. Heather Forkey got.

The woman's 7-year-old son, one of Forkey's patients in her practice at Children's Hospital of Philadelphia, already lived with oversize burdens: hypertension, asthma, eczema, poor growth.

Now, it seemed to Forkey, the health-care system had almost dumped another burden on him. His insurer was trying to switch the hypertension medication that Forkey prescribed to one she feared could be dangerous to him.

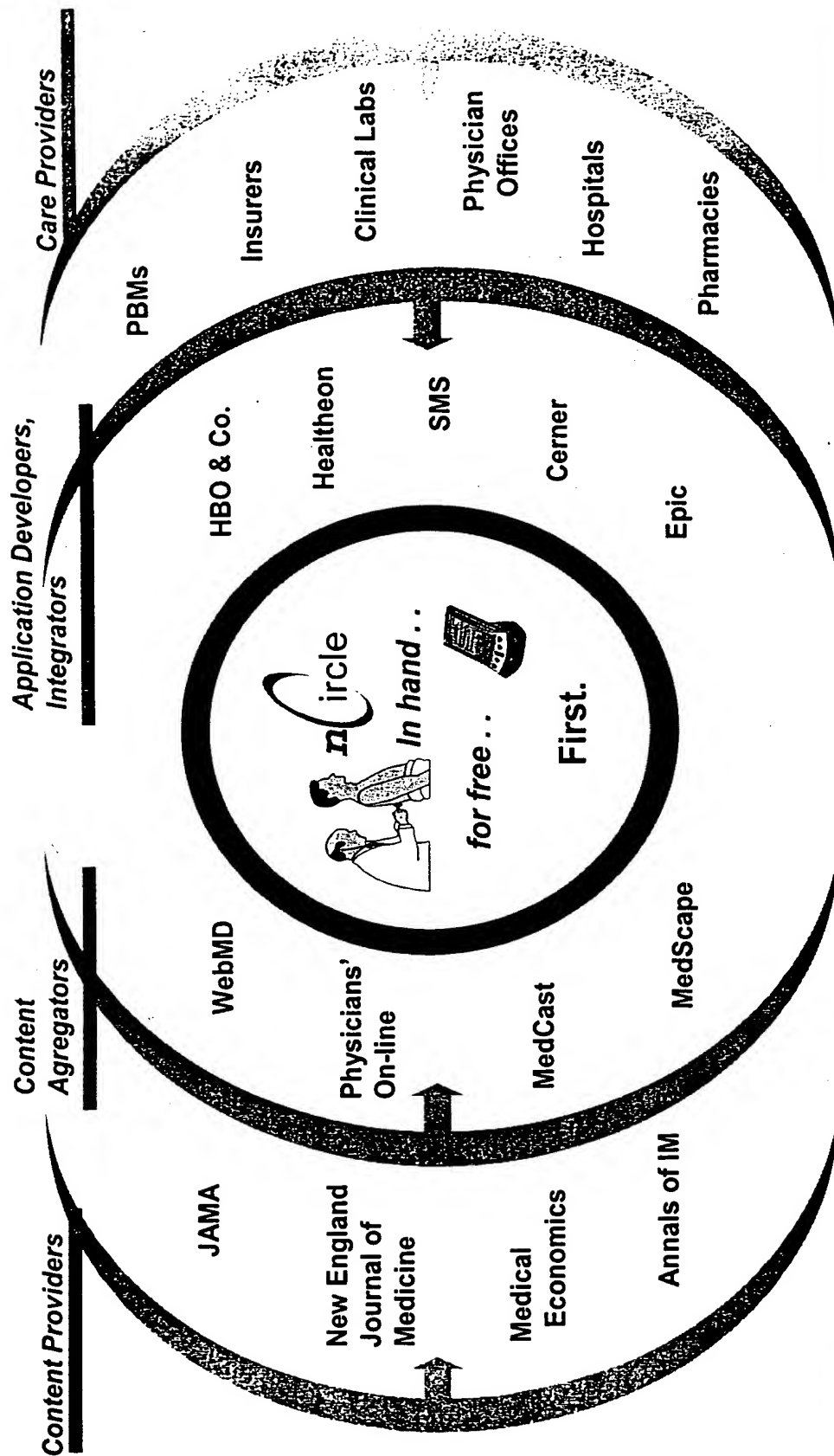
Welcome to the world of pharmaceutical managed care, where the drug your doctor chooses may not be the one you take home from the pharmacy.

...

Key Benefits for Palm

- **Direct Sales**
 - Expect 50,000 units in first year plus future model upgrades
- **Retail Spillover Sales**
 - Achieve rapid penetration of affluent and influential target market
 - Expect spillover sales to other doctors and healthcare professionals
 - Expect spillover sales to patients
- **Establish Palm as “Gold Standard” in Healthcare**
 - Palm platform becomes natural standard for cost-conscious systems integrators as top physicians already have free Palms
 - Physician familiarity with Palm builds barrier to entry for other platforms
 - HC IT is huge market. Revenues in 1998 at \$16B growing at 15-20% per annum
 - Attractive Pharma market (e.g. SFA) gains in acceptance of Palm platform
 - Unique sales model leads to rapid market acceptance
 - Potential for “market tipping” to Palm over Windows CE

Phase II: The "Last Meter" in Healthcare



Where We Stand Today

Physicians

- Confirmation from over 40 physicians in a variety of practice settings
- Pilot Study at Stanford Student Health Services launched last week
- Preliminary discussions with additional test sites

PBM/Insurers

- Relationships established with top 8 players representing 92% of market
- Received data from Caremark (#4)
- Agreement with Advanced Paradigm (#5)
- NPA (#6) and Express Scripts (#3) interested in equity - potential exclusive
- Meetings scheduled in next 3 weeks with Merck-Medco (#1) and PCS (#2)

Pharma

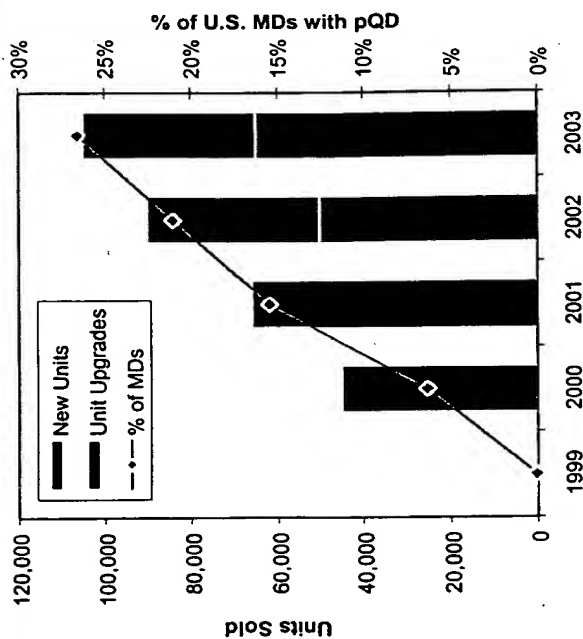
- Initial Meetings with Pfizer and Warner-Lambert confirmed significant demand
- Awaiting completion of pilot studies for further marketing efforts

Technical Developments

- Palm backing secured
 - free Palm V's for test site
 - private labeled "nCircle" units
 - joint sales calls with Palm
 - market development funding
- Alpha version of formulary and conduit applications finished
- Web site launched

Platform Sponsorship Revenue Forecasts

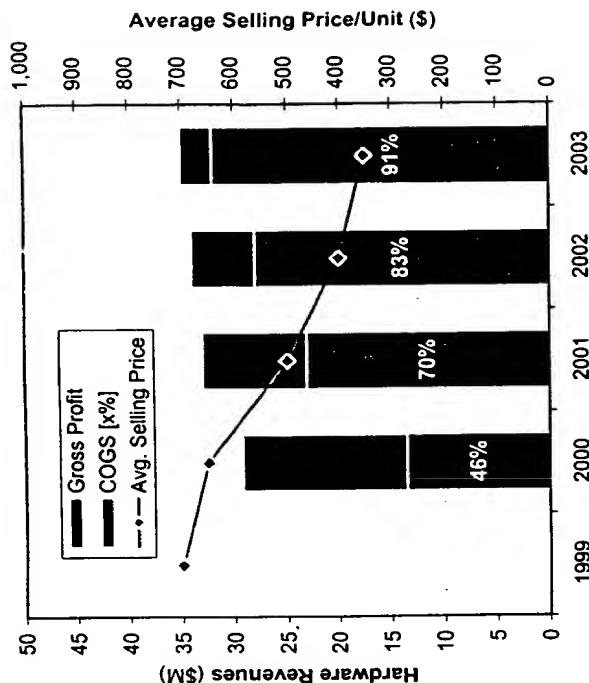
First-Mover Advantage Will Drive Penetration



Key Assumptions:

- Pilot study in Q4 1999
- Launch with 2 Pharma companies in 2000
- Add 1-2 more Pharma in 2001 and extend reach of program for existing Pharma clients
- Replacement with model upgrades ~2 years after original sale

... while Declining Prices Improve Affordability



Key Assumptions:

- Pricing represents average across different models, e.g., Palm III, Palm V, Palm VII
- Conservatively assumes almost no price concession from Palm (\$300/unit growing to \$350 in 2001)

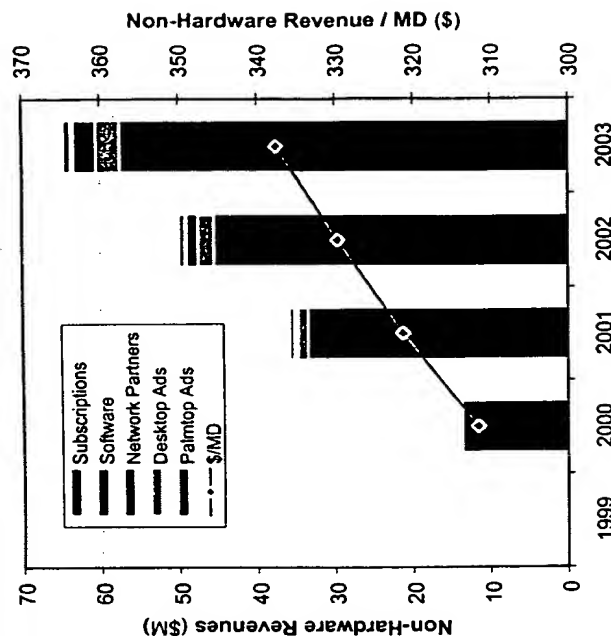
Note: Market penetration based on projected 720,000 physicians as per WebMD S-1 filing.

Additional Revenue Sources

Revenue Sources and Assumptions

- **PalmTop Advertising**
Article reprints, FDA alerts, Rep notes, and much more. True one-to-one marketing. MedCast sponsorship sells for \$356 per MD per year for each Pharma company for what is essentially a standard banner ad. We very conservatively estimate \$300 per MD per year in total PalmTop advertising.
- **Database Subscriptions**
Fee charged to Pharma for ongoing data access. We assume \$5 per physician / year.
- **Desktop Advertising**
Target ads which appear as physician HotSyncs and while they are on Web Site. We assume 100 impressions / MD / year, a CPM of \$150, and unused inventory of 70% falling to 20% in 2003.
- **Network Partner Fees**
MCOs, e-tailers, and network integrators need access to Physicians at the point of care. We assume that this access will become most relevant when we migrate to wireless platforms. Sample clients might include Humana, MedPartners, Healtheon, and PlanetRx. In 2003, we estimate network access fees of \$30 per MD for 50% of our installed base of users.
- **Software Sales to Physicians**
Develop and sell additional clinical oriented apps to user base (e.g., CME on-line, Web scheduling, simple EMRs, etc.). A relatively small revenue opportunity, but will insure greater usage by physicians and result in additional advertising revenue.

A "Trojan Horse" Revenue Model



Revenue Mix

	2000	2001	2002	2003
Hardware	67%	48%	42%	36%
Services / Ads	33%	52%	58%	64%

Can Pharma Afford It? Yes!

pQD Revenues as % of Pharma Marketing Budgets

(figures in US \$M)	1999	2000	2001	2002	2003
Hardware	0.4	29.3	33.0	36.0	36.8
Desktop Ads	-	13.7	33.5	45.5	57.5
Palmtop Ads	0.0	0.2	0.6	0.8	1.0
Subscriptions	-	0.3	0.3	0.3	0.3
Total pQD Pharma Spend	0.4	43.7	69.1	86.3	101.7
Total US Pharma Mktg \$ for MDs*	8,450	9,610	10,929	12,430	14,136
pQD % of Pharma Mktg Spend	0.0%	0.5%	0.6%	0.7%	0.7%

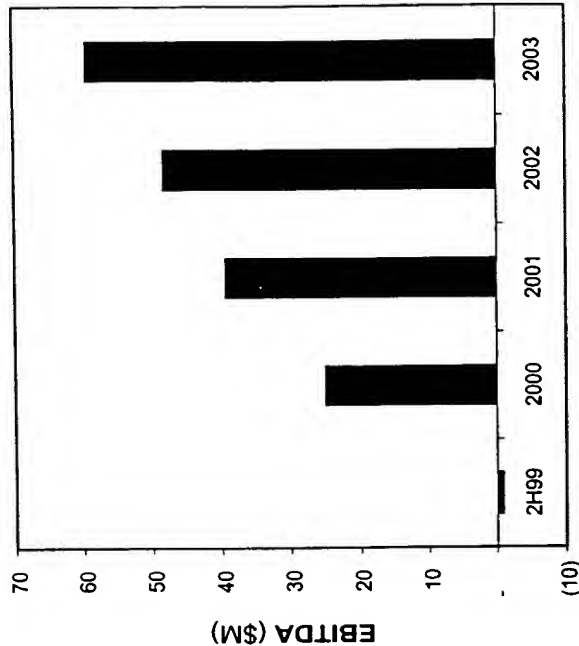
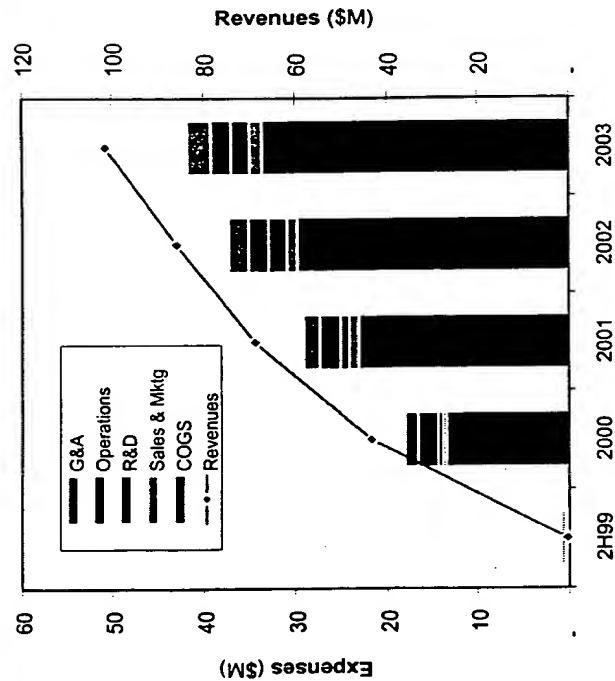
Even with the generous assumption that *all* pQD advertising and subscription revenues come from pharma, the total pQD expense represents less than 1% of the pharma industry marketing budgets for physicians.

Source: Pharma Marketing Spend in US for 1999-2000 taken from Dain Rauscher Wessles Pharmaceutical Outsourcing Industry report. Data for 2001-2003 extrapolated based on average growth rate of 13.7%.

5-Year Financial Forecast

Low Overhead and High Scalability

Strong Cash Flows



Key Assumptions:

- Headcount of 10 in 1999, growing to 30 in 2001 and stabilizing at 50 in 2002
- Employee stock pool representing 5% of authorized shares used as significant portion of employee compensation

Key Risk Factors

- Physician Acceptance
- FDA Regulation of Pharma Promotion
 - Legal due diligence suggests 20% risk of intervention
- PBM refusal to provide data
 - Initial contacts have been very positive
 - Legal recourse supported by most states & pending Federal legislation
- Competing Initiatives
 - ePhysician (Sierra / Benchmark)
 - PharmInfo (Kleiner / Mayfield)

Key Competitor Profiles

	ePhysician	PharmInfo
<i>Management</i>	Dr. Stuart Weisman, CEO Former gastroenterologist. First-time entrepreneur.	David Levison, CEO Former CEO of Oncare, \$1.2 B specialty practice management company.
<i>Funding</i>	Seed round in Summer of 1998. Closed Benchmark/Sierra "big" round last month.	Kleiner and Mayfield are "committed." Rumored to be closing first round this week.
<i>Board Membership</i>	David Beirne, Charlie McCall, Petri Vainio, Stuart Weisman	Unknown. Brook Byers and Russell Hirsch cited as "key players."
<i># Employees</i>	~30 full-time	10-15, nearly all part-time
<i>Stage of Product Development</i>	CTO and Scient team hired in October. Ready to ship product "soon." Reportedly, no business development work done as yet with PBMs, Pharma, or Palm. Small scale pilot program in place.	Less focussed on Palm platform. Rumored to be "waiting for technology", i.e. wireless PDAs to develop further. Prototype models include hardware add-on for dictation.
<i>Core Product Design</i>	Electronic Prescription Ordering integrated w/ decision support. Claims to include integrated patient data, insurer data, and clinical information. Method of network communication unknown. Presumably this must be HotSync or IR.	Electronic Prescription Ordering integrated w/ decision support and integrated patient/insurer/clinical data. May include dictation. Plans to support multiple platforms.

Disclaimer: This information was compiled from interviews and industry contacts. As such, it may be unreliable. nCircle is not liable for its accuracy.



CONFIDENTIAL
© 1998 by nCircle Communications, Inc.



Winning the Landgrab: nCircle Advantages

Being first is everything. Why should the key players choose pQD first?

Physicians

- An aide, not a burden
- Free Forever
- Tried and tested technology, ready now (no need for wireless)
- No training -- straight out-of-box usage
- Doesn't tell MD how to practice

PBMs

- Competitive relationship with Benchmark and Kleiner (Healthcon, DrugStore, PlanetRx)
- Established relationship w/ nCircle
- Interest in equity investment in nCircle
- Desire to partner on Stage II apps

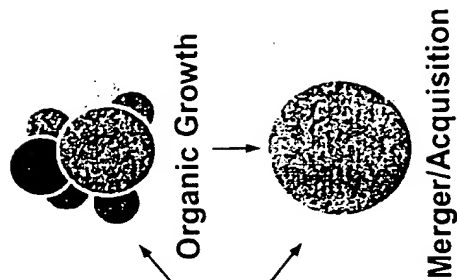
Pharma

- Lower technology risk
- Scalable -- no need to integrate w/ legacy systems
- No perceived conflict of interest / privacy concerns
- Reduced rep training / customer service

Palm

- Strong established relationship w/ nCircle
- pQD consistent w/ Palm design philosophy
- Plans to only OEM partner with one healthcare company

nCircle Business Plan Timeline



Activities

- Develop demo product
- Focus group with physicians
- Core product definition
- Pharma/PBM/OEM contacts
- Business plan development
- Code, code, code!
- Database development
- OEM logistics
- Pre-marketing to pharma
- Hardware load/ship
- Rep training/feedback
- Physician feedback
- Database development
- Ver 2.0 software release
- Full-scale production
- Marketing to pharma
- Rep training
- Content/DB maintenance
- Technical support (?)

Goal Metrics

- Mentor/Investor feedback
- Physician feedback
- Pharma feedback
- Alpha by mid-April
- Test site feedback
- # formulary lives in data
- # lives/MDs in DB
- % impact on MD sales
- "Stickiness" of website
- # of pharma customers
- Size of installed base
- Sales and profits

Risks

- Poor product design
- Diffusion of idea
- Speed/Loss of FMA
- Not enough credibility
- Team development
- Speed/Loss of FMA
- Poor logistical execution
- FDA restrictions
- Rep compliance/interest
- Knockoffs / Loss of FMA
- Rep enthusiasm/support
- Data integrity

Competitive Advantage

- Unique idea
- Proprietary database
- FMA in market
- Understand MD needs
- Proven product
- FMA req'd by pharma to reach MDs first
- Installed base of top MDs
- Authoritative database
- Positive brand identity

Next Steps

-
-
-
-
-

THIS PAGE BLANK (USPTO)